QUALITATIVE AND QUANTITATIVE ANALYSIS OF INDITEX

Authors (Universitat de Barcelona):

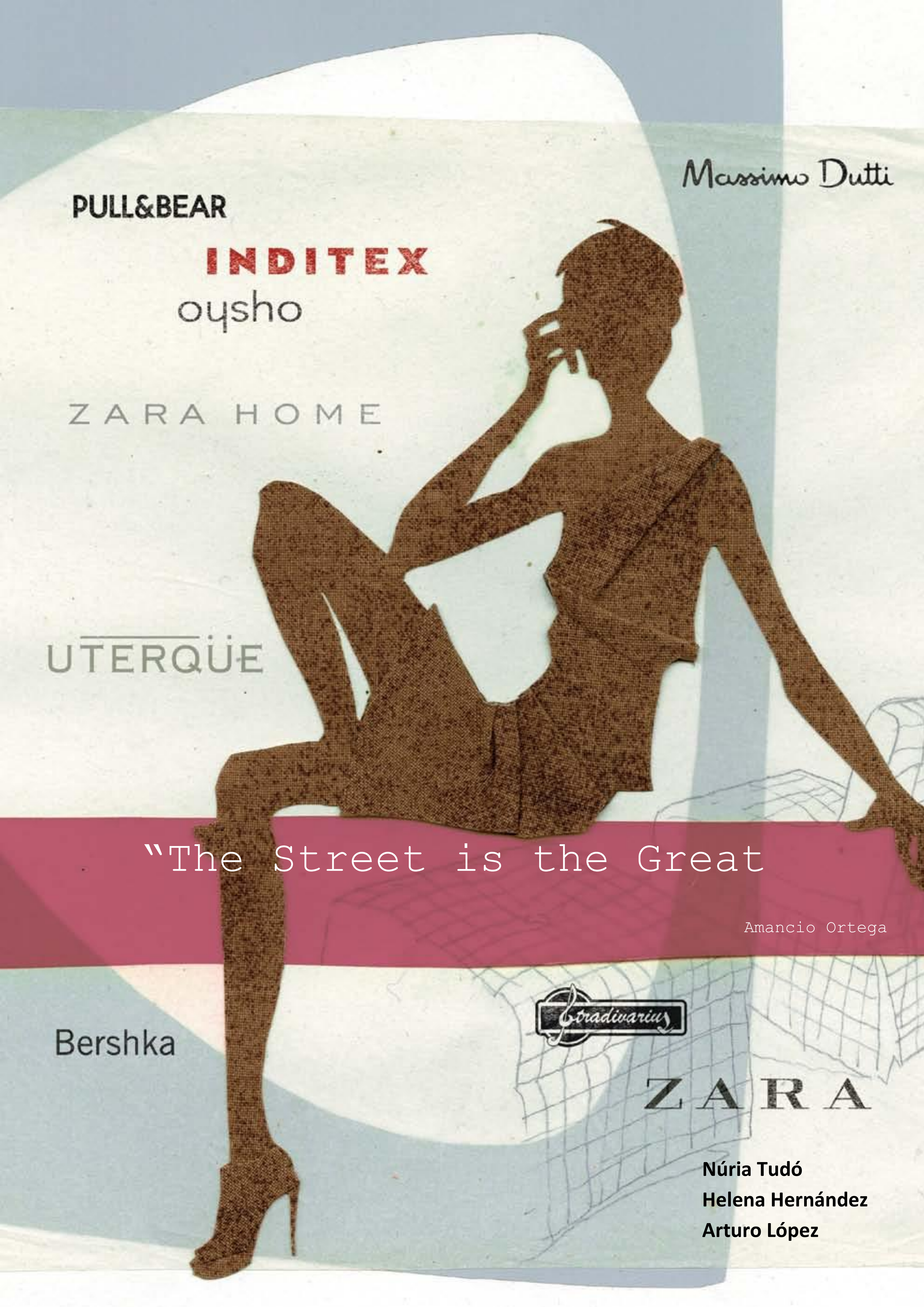
Núria Tudó

Helena Hernández

Arturo López

EDITOR: Jordi Marti Pidelaserra

(Dpt. Comptabilitat, Universitat Barcelona)



"The Street is the Great

Amancio Ortega

Núria Tudó
Helena Hernández
Arturo López

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QUALITATIVE ANALYSIS

HISTORY

Inditex group (Industria de Diseño Textil, SA) is made up of more than 100 companies operating in textile design, manufacturing and distribution. Its business is one of the world's largest fashion retailers, having eight store formats: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

The roots of Inditex go back to 1963, when Amancio Ortega Gaona, started a business making housecoats and robes in A Coruña called GOA. The business grew steadily over 10 years until Ortega owned several factories, which distributed their merchandise to other European countries.

In 1975, Amancio Ortega opened the first Zara store on a street in downtown A Coruña, Spain. The first shop was a success, fact that encouraged Ortega to open more Zara stores in the main Spanish cities. The chain of stores grew rapidly, and in 1985, it was created Inditex as the head of the group of companies. Along 1986 and 1987, the group installed a new and modern distribution system that could meet the needs of its expected rapid pace of growth.

In 1988 Zara opened its first store across national borders, in Oporto, Portugal. After that, the company put its Zara stores in New York (1989) and Paris (1990). In 1991 Retailer Pull&Bear was founded, targeting an urban young man. Furthermore, Inditex bought 65% of the Massimo Dutti Group, getting the 100% in 1995. Massimo Dutti specialized in an older and more elegant male public. Inditex continued with its international expansion during the 90's in countries such as Mexico, Greece, Belgium, Sweden, Malta, Cyprus, Norway, UK, Turkey, Argentina, Venezuela…

In 1998 is launched Bershka, a retailer aimed at young women and teen girls. After one year, a new retailer is acquired, Stradivarius. After that, in 2000, Inditex headquarters moved to a new building in Arteixo (A Coruña) and one year later, it launched Oysho, a lingerie retailer. By this year, it was present in more than 35 countries: the international growth was spectacular.

In 2001 an important event happened; Inditex came into the stock market offering the 26,09% of its capital through a Public Sale Offer. The fact was a real success, and demand exceeded the supply by nearly 6 times.

In 2003, Inditex opened a second logistic centre in Zaragoza, Spain, to support the distribution hub in Arteixo. By this year the first Zara Home opened, launching Inditex retailer nº 7.

In 2004, the group got to open the store number 2000 (in Hong Kong), expanding its global footprint to 56 countries in Europe, America, Asia and Africa.

After four years, Inditex group launched the retailer nº 8, Uterqüe, specialized in accessories and other fashion extras. By this time, it opened the store number 4000, being present in 73 countries. During these years, more distributions centres began to operate, Madrid, Barcelona, León…

In 2010, Zara started selling its products online and by the end of the year, the online store was available in 16 European countries.

By 2011, Inditex Group had commercial presence in 5 continents and passed the 5500 stores mark, with shops in 82 markets. Building on its multi-channel retail strategy, the company launched online stores for all of the Group's brands and opened online Zara stores in US and Japan. At present, Inditex Group has 5887 stores in 86 markets.

GLOBAL INTEGRATION

Industria del Diseño TextilSA is the matrix. Inditex had 60,341 shareholders in 2011. Of these 50,304 were individual shareholders and the remainder institutional investors. Amancio Ortega owns 369.600.063, through Gartler SL and Partler 2006 SL. The half plus one of the shares are managed by Gartler, which is represented by the current wife of Amancio Ortega. Partler 2006 SL has also near a 10% of the shares.

Shareholder body	Shares	%
Individuals	18,330,559	2.94%
Institutional investors	235,399,778	37.76%
Partler 2006 SL	57,872,465	9.28%
Gartler SL	311,727,598	50.01%
Total	623,330,400	100%

Inditex Group SA has the entire control of 236 subsidiaries over the world[1]. It owns companies, which are in charge of its value chain (design, manufacturing, storage and distribution and retailer sales). Moreover, it has also presence in other kind of companies, such as renting and operating of own real state or development of building projects. As it can be seen, Inditex is vertically integrated, which means that all the stages of the value chain are controlled by the Group.

[1]To see more detailed information, go to the Annex

Some examples of design companies are Zara Diseño SA or Oysho Diseño SA. Regarding the manufacturing of clothes we can find companies such as Hampton SA and Indipunt SL. An example of storage and distribution Company is Zara Logística SA. Inditex group has also created a subsidiary in which it operates in the form of each retailer, Bershka España SA, Bershka Portugal LDA.

CORPORATE SOCIAL RESPONSIBILITY

Inditex collaborates with a wide range of NGOs and has also developed several medical care and educational programmes.

Its social responsibility policy leads Inditex to be added to Dow Jones Sustainability index in 2001 and in 2003 to the FTSE4Good.

Corporate Governance

Corporate Governance is defined as the continuous creation of value for each stakeholder: from employees to partners and social society in general. This instrument allows the company behaving more ethically and transparently. This is an element of corporate social responsibility, which becomes a strategic instrument for company efficiency to achieve competitive advantage with social action.

As regards stakeholders, Inditex doesn't worry just about the nearest. Its commitment is articulated in the basic areas of activity, which are cooperation for development, humanitarian activities and fostering employment.

Cooperation for development involves all the activities related to the insurance of education around the world.

Humanitarian activities include solidarity activities focused on the protection of human life, safety and dignity of the human being that is suffering due to natural catastrophes, wars and violent conflicts.

Fostering employment means programmes for promoting employment in vulnerable groups. With this, Inditex give the necessary formation to get out of the excluded level of population.

The programs in which Inditex participates are:

- Community development programmes
- Monitoring programmes
- Emergency programmes
- Network of universities
- Sponsorship and patronage
- Environmental programmes

These programmes are mainly focused on poor areas or areas with high social unrest. However, there are other areas in wealthy countries to promote the persistence of the company by helping design schools by giving grants or internships.

Some of the organization in which Inditex participates are Entreculturas foundation, Caritas, Carolina foundation, Medecins sans Frontieres or the Jesuits Refugee Service.

In those countries that are more affected by several diseases, Inditex participates in the eradication of illiteracy, malnutrition and unemployment that makes the problem bigger. Improving agriculture, infrastructures and job training helps these unprotected people to survive. There are programs to avoid prostitution of women and children and helps to finance AIDs programmes. It also offers medical attention and has helped to the creation of a dynamic unit of rescue.

Nearer to its headquarters, it helps people at risk of social exclusion, by offering training courses to start working in sectors such as hospitality, home assistance…

Inditex has agreements with universities, such as National Institute of Fashion Technology, the Portuguese Catholic University of Porto, the University of Northumbria and the Galician universities.

The company also collaborates with some reusing clothes entities such as Roba Amiga, and tries to promote the protection of the environment with organizations such as Terra Project.

Customers’ satisfaction

Customers are an important stakeholder in the Inditex business model. Then, the activity of the Group is aimed not only to satisfy customers’ decisions and needs, but also to maximize the purchasing experience, including quality, safe and sustainable products, stores located in the main shopping areas of cities and excellent customer service from the staff.

Therefore, Inditex's commitment to its customers is expressed in the corporate social responsibility of the firm. Moreover, this commitment has been increased recently due to the creation of the online stores, which has caused an increment in the interaction with the clients.

For this reason, Inditex Group has established some policies to achieve the greatest customer satisfaction.

Quality

It ensures the quality of its products with the development of two internal standards: Clear to wear, which assures the healthiness of the product, and Safe to wear that guarantees its safety. Both standards are constantly updated and their compliance is mandatory for all Inditex's suppliers. Furthermore, this acceptance implies a regular control of their production processes and the products. As a result, in 2011, over 250.000 chemical analyses of products, 1.900 factory inspection visits and 17.000 tests and analyses were carried out.

Sustainability

Inditex ensures the manufacturing of sustainable products, which means that the production process is carried out respecting the environment. In the Sustainable Inditex plan 2011-2015 there are the objectives on the firm relating to the water and natural resources management. On the one hand, they consist on analysing the water footprint of products and promoting a more efficient water consumption at own manufacturing centres, stores and throughout the supply chain.

On the other hand, Inditex develops textile products with eco-friendly fabrics, particularly organic cotton and it uses leather (animal skin) from only animals raised on farms for providing food, thus they aren't killed exclusively to obtain their skins. Moreover, Inditex is a member of the Textile Exchange (TE) and, since 2011, is included in two international organisations: Better Cotton Initiative and The CEO Water Mandate.

Customer service

The firm considers the customer service as an important factor. For that reason, Inditex has professionals who attend customers with problems by phone, e-mail or webpage. In 2011, Inditex responded to almost 172.000 enquiries, 40% more than the previous year and it had few relative complaints (one compliant for every 64.619 products on sale).
Furthermore, it creates the Affinity Card, which operates as a way of payment in any store of the eight chains in Spain, Portugal, Italy, Greece and Mexico and it has over 1.3 million adherents.

SALES FUNCTION

Strategy

The main characteristic of its business strategy is the efficient and accurate management of manufacturing and distribution. On the other side, the clients perceive the product as trendy, modern and up-to-date. This means that Inditex can combine a cost capability and a differentiation approach that is based on the design and the constant renewal of the products.

The cost capability comes from the ability to deliver the product efficiently and rapidly. To make it possible, it exists a strong logistic management, based on logistic centres placed strategically and with high technological facilities. This system minimizes the inventory cost, and it's a paradigm of Just-in-time.

This system ensures a constant renovation in the options available in the store. Every store in the world receives new models twice a week from the logistic centres, all of which are placed in Spain closer to the headquarters of each of the chains. In 2011, Inditex has completed the extensions of the logistical centres in Elche (Alicante) and Tordera (Barcelona). From the logistics points, the product reaches European stores in 24-36 hours and those in the rest of the world within 48 hours. In relation with the Corporate Social Responsibility, the main aim is to reduce the emissions from logistical activity by 20% by 2020.

Another cost capability is the lack of advertisement. Inditex doesn't spend money in massive media advertising (TV, Radio, Newspaper, shelters…) but it promotes itself through the shopping bags, the excellent and strategic location of the shops and the impressive and attractive design of its window displays. Another amount of money that is dedicated to publicity goes directly to the promotion of the sales, which are made twice a year (January and July). In this case, Inditex advertisesitself through brief ads in newspapers. Another kind of advertisement, which is not done directly by the company, is the mouth-to-mouth. This advertisement is really effective and comes from the reputation and prestige gained during the company's life. As it can be seen, Inditex saves a lot of money that can be dedicated to other areas of the business, such as the constant improvement of the distribution and offering a competitive price to its customers.

The design and development of the product is in charge of over 1,000 professionals. Each chain has its own team, whose work is concentrated in market analysis to satisfy the clients' wishes in the shortest time possible. Furthermore, the designs are adapted to each country's trends.

- Fashionable and fast design:

  The company launches new collections constantly throughout the year. New models are received twice a week in each store, which needs a constant design activity. That's because the clothes and other products are always fashionable. Its customers do not expect a premium quality of products, but wearing up-to-date clothes and become fashionable with them.

- Relation with its customers:

  The Inditex design process begins in the same store. There, the staff captures the customer's desires and demands, and pass that information to the design department and then, to the manufacturers. This is called integration of the clients' voice in the design.

- Capture trending:

  Inditex has developed trend indicators in the trendiest cities in the world (New York, Tokyo, London, Paris, etc.) to inspire the collections of each different country.

Activity scope

The activity is based on manufacturing, production and commercialization of textile products, services of management and administration services.

The primary activity scope is the wholesale of clothing and footwear and the secondary activity scopes are weaving of textiles and wholesale of textiles.

Retailers

Zara

Zara welcomes shoppers in 82 countries to its network of 1,830 stores in upscale locations in the world's largest cities. It is described as fashion for women, men and children and it encompasses many different styles, from daily clothes, more informal, to the more serious or formal, through dresses and suits for festival events.

Zara is always in touch with customers who help to shape ideas and capture information about the trends and tastes.

Pull& Bear

This brand focuses on casual and laid-back clothing and accessories for young people with a very urban style. As it is mentioned in the web page "Young people's spirit is our source of inspiration".

When we talk about Pull & Bear retailer, we don't have to focus on its product, but on the specific environment created in the stores. Inditex design exclusive spaces for conveying the message and feeling the products it sells. For this reason, Pull & Bear stores have their own particular style.

Pull & Bear has 747 stores on the main streets and in the leading shopping centres in 49 countries.

Massimo Dutti

Massimo Dutti is present in 51 countries and has 573 stores. It offers basic and contemporary styles. Garments are more elegant and classic and it offers fashion for women, men and, recently, for children. The prices are higher because of the high quality of its products: 100% natural, subtle textures…

The main key component of this retailer is the personalized assistance in the stores and stores' design aimed to create a comfortable environment for the clients.

Bershka

Starting in 1998, this store began distributing fashion for girls and, more recently, for boys too. It appeals to the youngest target market, but it is not considered as urban as Pull & Bear. Nowadays it operates in 57 countries and it has 811 stores.

The main characteristics of Bershka stores are their large dimension and space, with an interactive environment for the customers in which they can watch videos, listen to CDs and read magazines.

Stradivarius

This brand has an innovative concept in fashion, targeting young women with clothing garments and accessories. “It takes a youthful approach to fashion with an original and dynamic twist on the latest trends in design, fabrics and accessories”. It has presence in 46 countries and has 684 stores.

Oysho

Offers lingerie and women’s underwear (but also includes pyjamas, bathing suits…). Its products are described as fun, sexy and feminine. Oysho was founded in 2001 and now has 483 stores in 31 countries.

Zara Home

Zara Home is specialized in home decor and linens. It offers a wide range of products: interiors, utensils for household furnishing, accessories, kitchenware, cutlery, glassware…

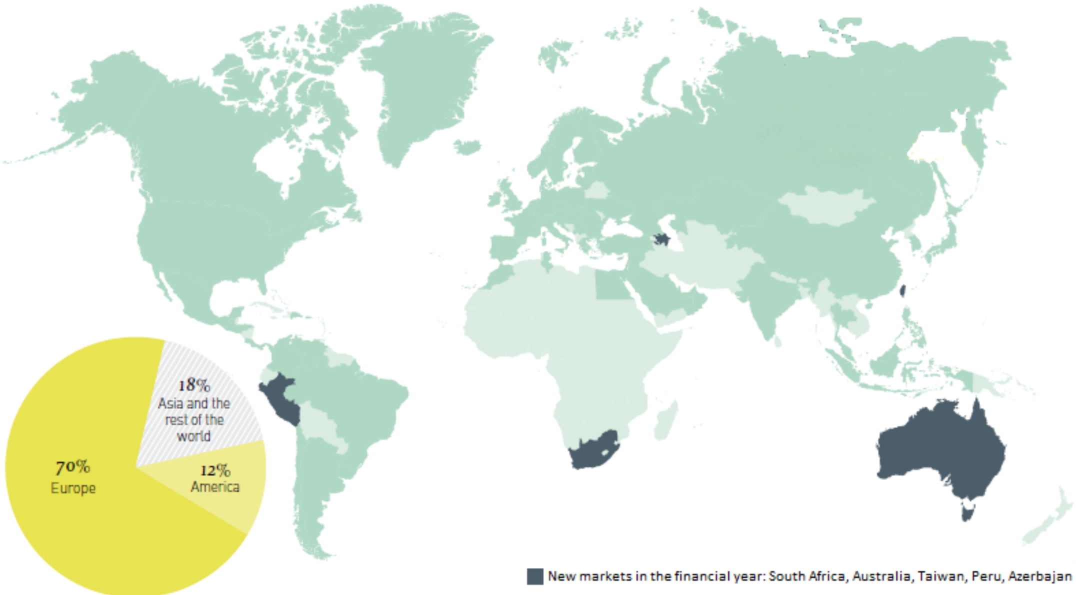
The main displays of the stores are Contemporary, Classic, Ethnic and White. It has now 310 stores in 30 countries.

Uterqüe

Uterqüe is the newest Inditex group retailer. It offers accessories such as shoes, handbags, jewellery and sunglasses. It sells a high quality product that is fully designed by the Uterqüe creative team.

It has presence in 17 countries with 89 stores. The environment reflected in the stores is sophisticated and elegant.

Market Scope



America	Stores	Markets
Zara	207	17
Pull&Bear	46	4
Massimo Dutti	36	4
Bershka	66	6
Stradivarius	10	4
Oysho	36	3
Zara Home	18	2
Uterqüe	6	1
Total	425	17

Europe	Stores	Markets
Zara	1.280	39
Pull&Bear	588	28
Massimo Dutti	452	28
Bershka	629	31
Stradivarius	567	25
Oysho	393	17
Zara Home	261	17
Uterqüe	69	8
Total	4.239	39

Asia and the rest of the world	Stores	Markets
Zara	343	26
Pull&Bear	113	17
Massimo Dutti	85	19
Bershka	116	17
Stradivarius	107	17
Oysho	54	11
Zara Home	31	11
Uterqüe	14	8
Total	863	26

In 2011 Inditex has reached all the continents due to the arrival to Australia. Europe is stillthe main market for Inditex, which means a 70% of its total sales. Almost the half of the stores opened in 2011 was in the Old Continent. Regarding America, it is important to highlight the new introduction in Peru. Asia is a continent with a high potential growing, and this is reflected in the number of new openings, which represents a 45% of the total openings.

Stores

Inditex has nowadays stores in 86 countries. The most significant fact is that it has opened 483 new stores with eco-efficiency criteria. Stores are the main image for Inditex brands: unique locations in the main cities, a distinctive internal and external architectural conception, precise coordination of the product and excellent customers' services.

As regards eco-efficiency aspects and respect for the environment, since 2007 over 800 eco-efficient stores have been built around the world and the principal objective is that in 2020 all the Group's stores should be eco-efficient. These stores make it possible to save 30 % on electricity and 50% on water consumption.

Regarding to the newly opened stores, Inditex has received in 2011 the LEED Platinum certification (the highest award of the US Green Building Council) for the first Bershka store in Germany and the first Pull & Bear in Holland.

As a complement to physical stores, Inditex has created online stores for each of its retailers, and it is being developed to reach more countries every year. The volume of sales of the online stores is growing steeply.

SUPPLIERS

Over the years Inditex Group has increased the contractual relations with suppliers. They aren't controlled directly by Inditex, but they work exclusively for it. The company protects their identities, however it is known that, at the end on the financial year of 2011, it had 1,490 suppliers of which 92 ruled out for the following year. It is important to point out that the principal source of suppliers was Asia (2011).

The Inditex production chain in 2011 (*)

Region	Suppliers with purchases 2010 financial year	Suppliers with purchases 2011 financial year	Suppliers ruled out in 2011 (**)	Suppliers on 31/01/2012
Africa	129	127	5	122
America	67	66	2	64
Asia	671	686	61	625
Non-EU Europe	112	134	4	130
European Union	485	477	20	457
Total	1,464	1,490	92	1,398

(*) Suppliers of product producing more than 20,000 units/year. Suppliers with lower production are 0.47% of the total production.
(**) Suppliers discarded for breaches of the Inditex Code of Conduct or commercial reasons.

The continuous change in the amount of suppliers is due to the application of the Inditex Code of Conduct for External Manufacturers and Suppliers. This programme ensures product quality, health and safety and is made up of six stages:

1. **Raising Awareness:** the training for all those suppliers who have shown interest in forming part of the company chain regarding to its social, employment and environmental requirements as well as product health and safety (Inditex Minimum Requirements)
2. **Self-evaluation by suppliers (pre-assessment):** in relation to product health and safety, environmental standards and capacity for commercial response. It also requires the sign of the Inditex Minimum Requirements.
3. **Audits:** to ensure the compliance of the programme. In 2011, over 2.300 audits were carried out on factories and workshops.

4. **Assignation of rating**: the supplier is assigned a classification according to the degree of accomplishment of the Code of Conduct defined in the audit.
5. **Application of corrective action plans:** to solve the possible breaches.
6. **Monitoring programmes:** audits to ensure the compliance of the corrective action plans.

Furthermore, other important programmes are the Green Code Inditex Project, which takes part into Inditex Minimum Requirements and includes criteria of environmental evaluation and monitoring of suppliers.

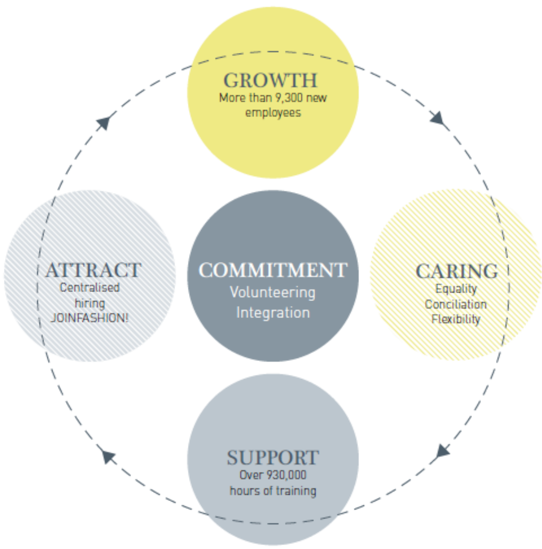
Nowadays, Inditex is promoting seven clusters of suppliers in relevant countries in its supply chain (Portugal, Morocco, Turkey, India, Bangladesh, China and Brazil) and in total they represent 87% of the firm total production. A cluster of suppliers is defined as spaces of cooperation between suppliers, manufacturers, trade unions, business associations and international purchasers with the common objective of developing the Inditex business model in terms of environmental concern, labour rights and quality of products. The more recent clusters are the ones in China and Brazil, which were consolidated.

EMPLOYEES

The presence of a flat organizational structure (without a strong hierarchy) facilitates the exchange of their opinions and the expression of ideas. In order to promote this working environment, there is the Internal Code of Conduct and the Internal Direction on Responsible Staff Practices for the Inditex Group, which are known by every employee.

For all these reasons, in 2011 Inditex was chosen as the best company to work in Spain by the annual Merco (Corporate Reputation Business Monitor), which is made from the opinion of students, business people and professionals.

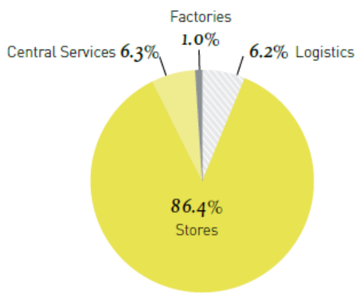
During the financial year 2011, 9,374 new employees joined the firm. In order to continue this growth, Inditex works to attract talent, support the professional career of its workers through continuous training, and it works to care about those who take part in the organization.



Growth

As a result of the increment of employees during 2011, at the end of the year Inditex had 109,512 workers. In the store centers there were the 86% of the staff and considering the geographic area, 82% of employees were from Europe (the main Inditex market).

Employees by activity in 2011 (*)



(*) In 2010, employee distribution by activity was the following: 87% stores, 6.1% logistics, 5.7% central services and 1.2% factories.

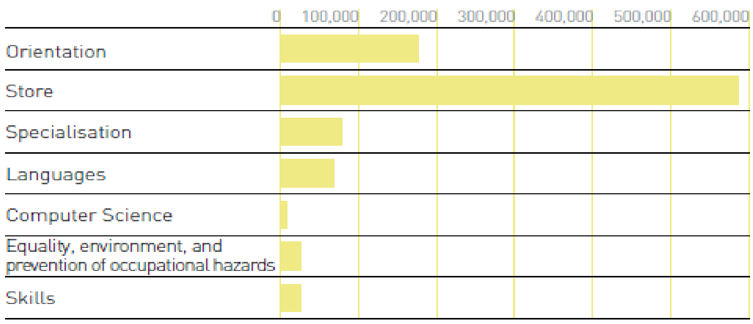
Recruitment

In order to attract new employees, Inditex created in 2011 a project that supports the hiring process called join fashion. The main channel of this project is www.joinfashioninditex.com. Furthermore, in the same year, Inditex strengthened the process for attracting talent by opening a new selection and training centre in Moscow, adding to those already existing in Madrid, Barcelona and London.

Support

In 2011, Inditex gave to 32,000 people 930,000 hours of training in Spain. The training plan was divided into: the orientation programme for new employees (the general one and another for the store), specialization, languages, computer science, equality, environment and prevention of occupational hazards and skills.

Distribution of training hours in Spain (*)



(*) From 1 January through 31 December 2011

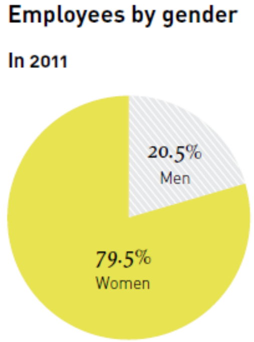
Since 86,4% of the employees works in store, most of Inditex's training investments go to store personnel (80% of the total). The store training is basically focused on a practical way. However, Inditex also has classroom training with the objective of improving the professional skills of its current workers or managers. Actually, each year, 10% of the Group's staff participates in internal programmes for potential development.

Moreover, due to the particular working environment of Inditex, the internal promotion is a very significant element. In 2011, more than 1.000 people were promoted in Spain and in general, 75% of vacancies in the company were filled with internal workers.

Caring

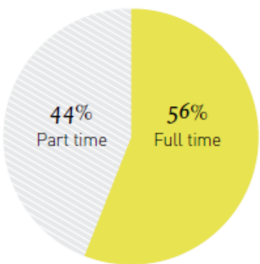
Diversity is intrinsic to the essence of Inditex. Among all the employees there are more than 140 nationalities and 40 languages coexisting.

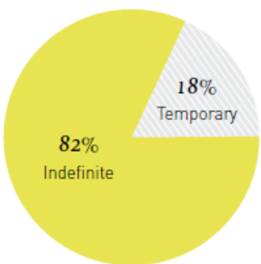
In 2011, women represent 79,5% of the workforce (1% less than the previous year) and men, 20,5%.



Furthermore, Inditex encourages the equal treatment of women and men at work. It has an action protocol in case of gender discrimination and sexual harassment and it tries to balance the relationship between work and family life (such as help during the pregnant and the nursing stage or facilities to combine the job with studies or volunteer services).

The business model of Inditex is characterized by flexible working hours, since the firm offers positions with different work hours allowing the employees to combine their job with other activities. In 2011, nearly the 50% of the employees in Spain were part timers and permanents contracts represented an 82% (so, Inditex creates stable jobs).





(in thousands of euros)	2011	2010	Var. %
Fixed and variable salaries	1,843,020	1,651,462	11.6
Inditex contributions to Social Security	391,158	357,967	9.3
Total personnel expenses	2,234,178	2,009,429	11.2

Due to the increase of workers, the salaries costs also went up in 2011.

COMPETITORS

Inditex is a company that produces and sells the same range of products. The articles offered are usually very similar, trendy, moderate quality and low prices.

As regards competitors, Inditex competes with different brands in different targets. In this way, a general classification could be clothes, accessories and home accessories.

In the home accessories, its main competitors are companies that place their shops in commercial centers and shopping malls. In Spain, the main names and brands are "A loja do gato preto", "Natura", "Habitat", "Maisons du Monde", "Casa Viva" and "Textura", between others. In this field, there is a wide range of small companies that compete with Inditex.

All these companies and Zara Home offers trendy house accessories at a moderate price.

In the area of clothes accessories, Uterqüe competes with Bimba&Lola and Hazel. As in the previous area, location in commercial centers side to side makes them stronger competitors between them.

A fact to consider in the previous branches of Inditex and its competitors is that part of the competitors was the leaders and Inditex brand the follower. Uterqüe was born to prevent Bimba & Lola from growing and damage Inditex.

Finally, the clothing area can be divided into general clothing, for youngsters and for children and babies.

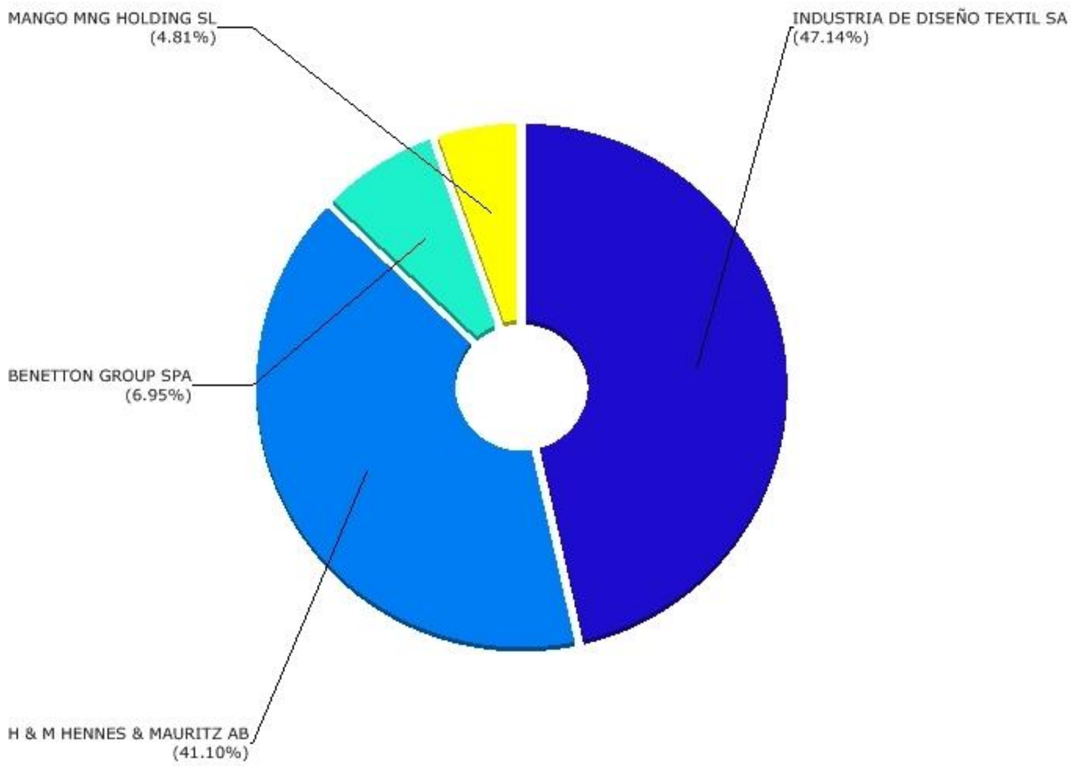
Many Inditex clothing competitors compete in these three subdivisions, such as H&M, Benetton or Sfera.

Others just compete for one target: youngsters, such as Springfield (of the group Cortefiel), Adolfo Domínguez U, Blanco.

In the lingerie sector are Etam, women's Secret (Cortefiel) competing with Oysho. Other major competitors can be Mango or Friday Project. All the main competitors are large firms established at least in Spain, if not internationally, in commercial areas or city centers.

But there is something that differentiates Inditex from the rest of its competitors, although in the last years imitation has risen: the shop window. Inditex shop windows are the emblems of their brands. There are no TV or radio advertisements. Just shop windows. And the money that is not invested in advertising is invested in renewing the collection.

Competition by sales:

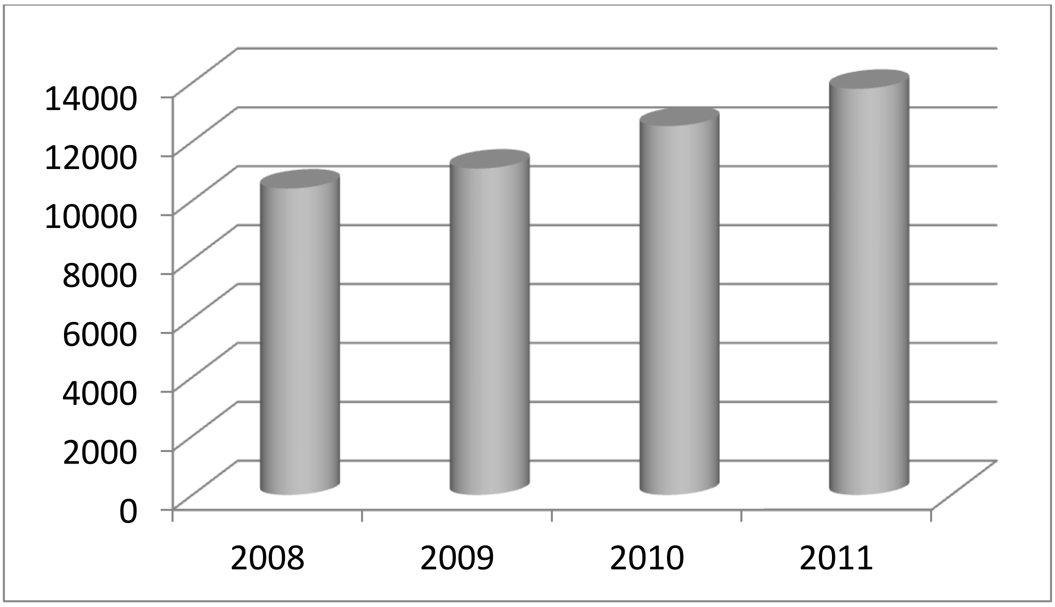


The graph compares the sales of the whole Inditex group with respect to its international European competitors, which are H&M, United Colours of Benetton and Mango. Inditex has almost the 50% of the volume of sales of 2011, followed by H&M, which is also growing rapidly. However, this information is not perfectly comparable because the Inditex group includes Zara Home, which is not related with the activity of its main competitors. Nevertheless, the information above can be seen as illustrative.

ANALYSIS

As regards the evolution of sales:

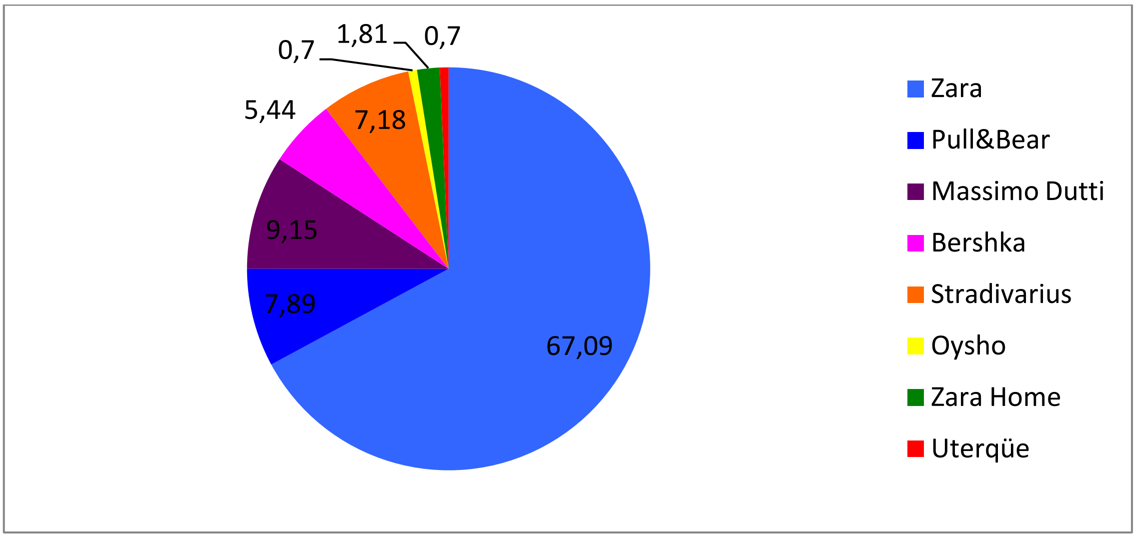
EVOLUTION OF SALES



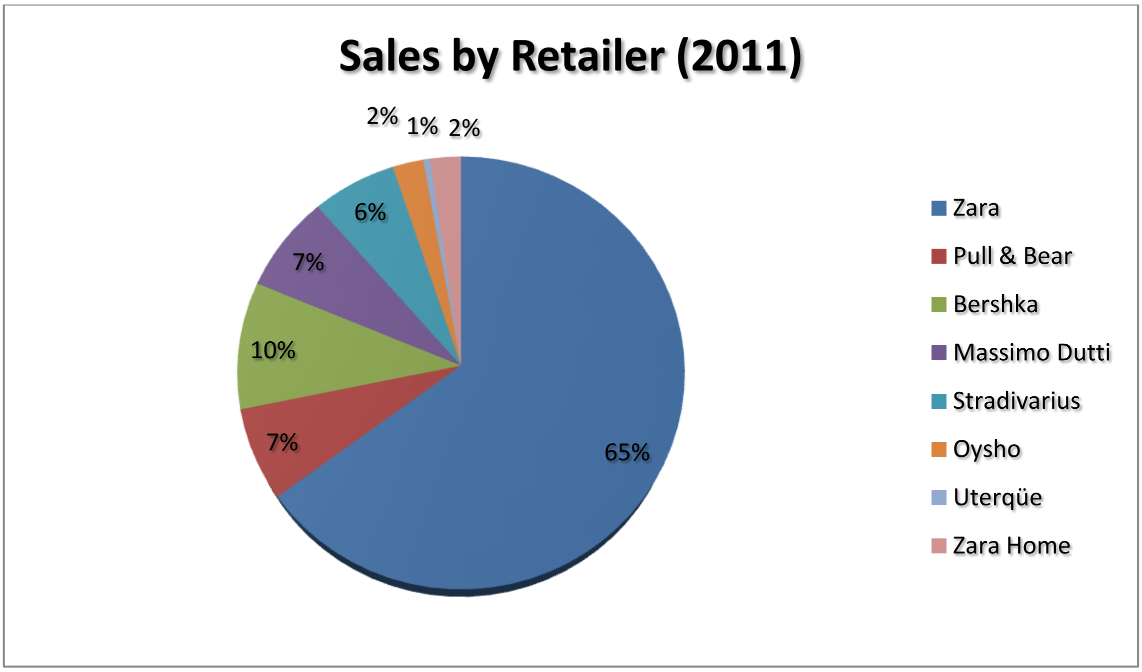
The sales of Inditex have experienced a sustained growth between 2008 and 2011. Just in 2011, the sales have increased up to 10% with respect to the previous year, reaching 13,793 million euros.

As regards to which retailer is the main contributor to the increase in sales. For this reason, it is calculated the % of growth of sales (2010 -2011) of each retailer with respect to total sales.

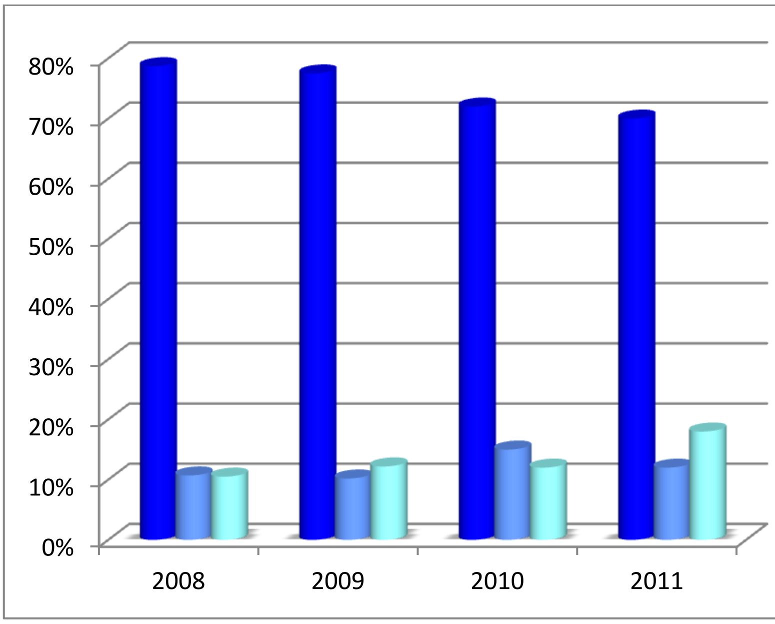
CONTRIBUTION TO THE SALES



The share of revenues per retailer is as it follows:



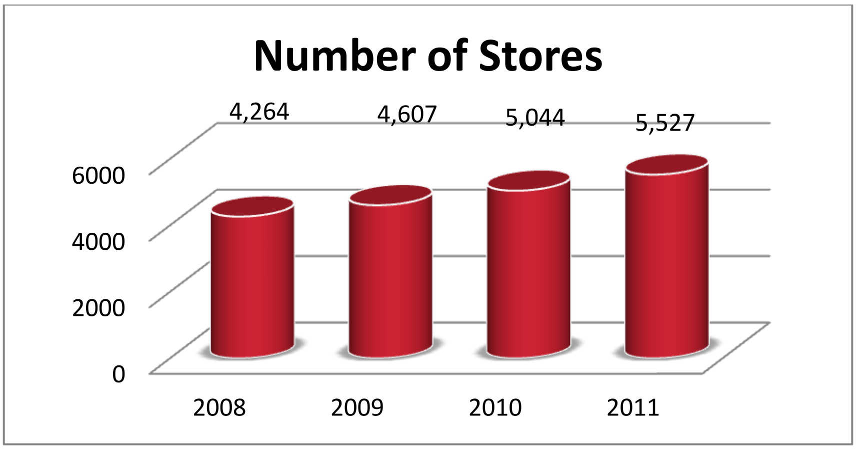
As it can be seen, Zara represents two thirds of the total sales of the group. This means that it is the most important retailer. This is because Zara is the retailer that has first got into new countries and the online store.



From 2008-2011 Annual Reports

In the graph it can be observed the decreasing trend of the share of the sales in Europe, while Asia & the rest of the world are becoming more important. An important fact to take into account in the share of sales of 2011 is that Inditex has entered in Oceania, reaching all 5 continents.

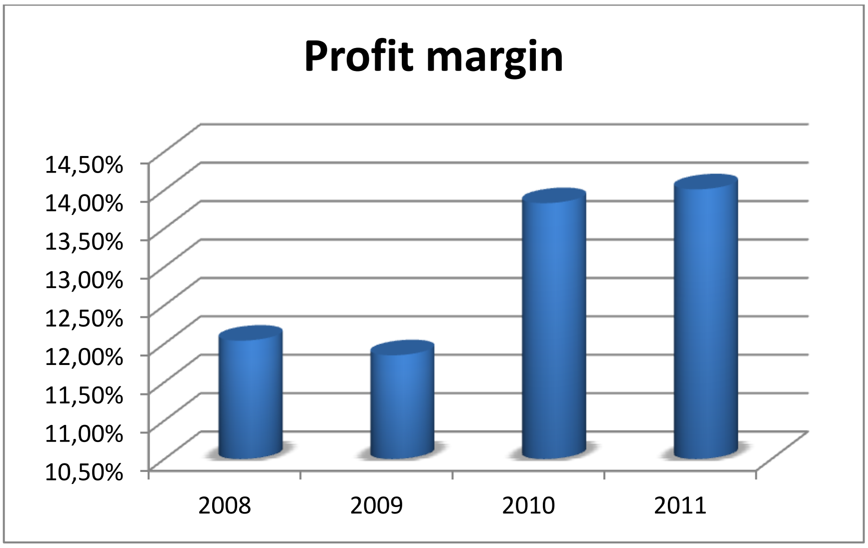
During the 2011 financial year, the growth in Inditex's commercial area has continued with 483 new stores, which brings the total at the end of the year to 5,527 stores in 82 markets. The remaining chains also increased significantly their commercial presence during the financial year as they entered new markets.



As regards the number of stores, between 2010 and 2011, it has been an increase of 9.57% of the number of stores, which means the greatest increment of the last four years.

The % of increase in the number of stores follows the same path of the increase in sales, which means that reinforcing the company by the organic growth through the raise in stores,in both current and new markets, is working well.

As regards emerging markets, Inditex is still focusing on Asia, concretely in China. Two of its retailers have already entered the market (Oysho and Zara Home). Given that Inditex considers China a key market, the company plans to keep up the rhythm of openings in this country over the next few years and to conclude 2012 with about 425 stores in over fifty cities.



The profit margin is the ratio between net profits and sales. A high profit margin means a high profitability. That is the company has the costs under control. As we can see, Inditex profit margin has increased from 2009, that's because the net profit has increased more than sales. One possible reason could be the cost control.

CONCLUSIONS

After doing all the qualitative research, we have come up the following conclusions:

Inditex Group follows a vertical integration strategy of growth. This leads to a competitive advantage over the rivals because it can control the whole product process; from the design and the manufacture, to the distribution and sales. Moreover, some information available shows that over the last years, as it is having a great success, and thus, getting more financial resources, it has started to buy the franchises created in the past to have the full control of the company.

The result of the combination between the efficient management of the distribution, the amount of money saved because of the lack of advertisement and the differentiation approach lead to a best-cost provider strategy. This strategy beats the customers' expectations on price while satisfies the customers' expectations on key quality/service/performance attributes.

When comparing Inditex with its main competitors regarding the publicity done, we can conclude that Inditex has a competitive advantage over them, because competitors spend much more money in advertisement, whereas Inditex can dedicate this money to offering competitive prices and providing a better quality service.

Another key successful factor of the internationalization of the company is due to the way of acting: think global, act local. This means that it uses a common strategy approach for all the regions (best-cost provider), but at the same time, allows some country-to-country customization to fit local market conditions to increase customers satisfaction.

Regarding the retailers, Zara is the main contributor to the growth. It has contributed to the increase of sales in 67,09% over the total increase.

Finally, it is the whole combination of the stores, design, distribution and clients which has lead Inditex become one of the most important clothing companies all over the world.

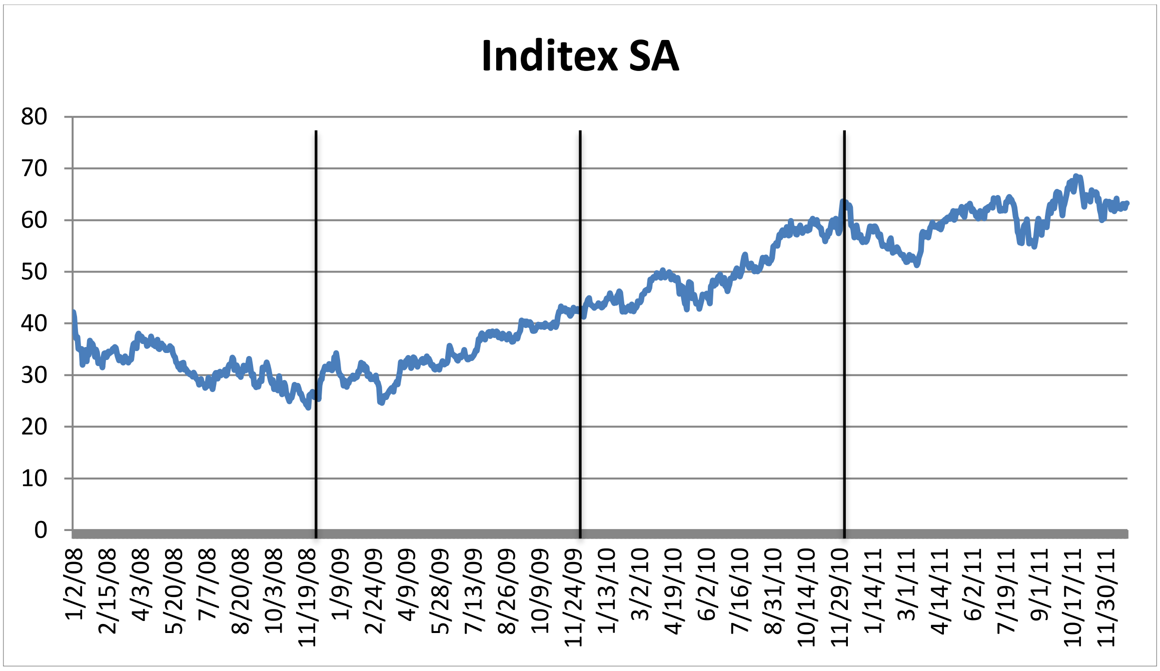
RISKANALYSIS

STOCK ANALYSIS

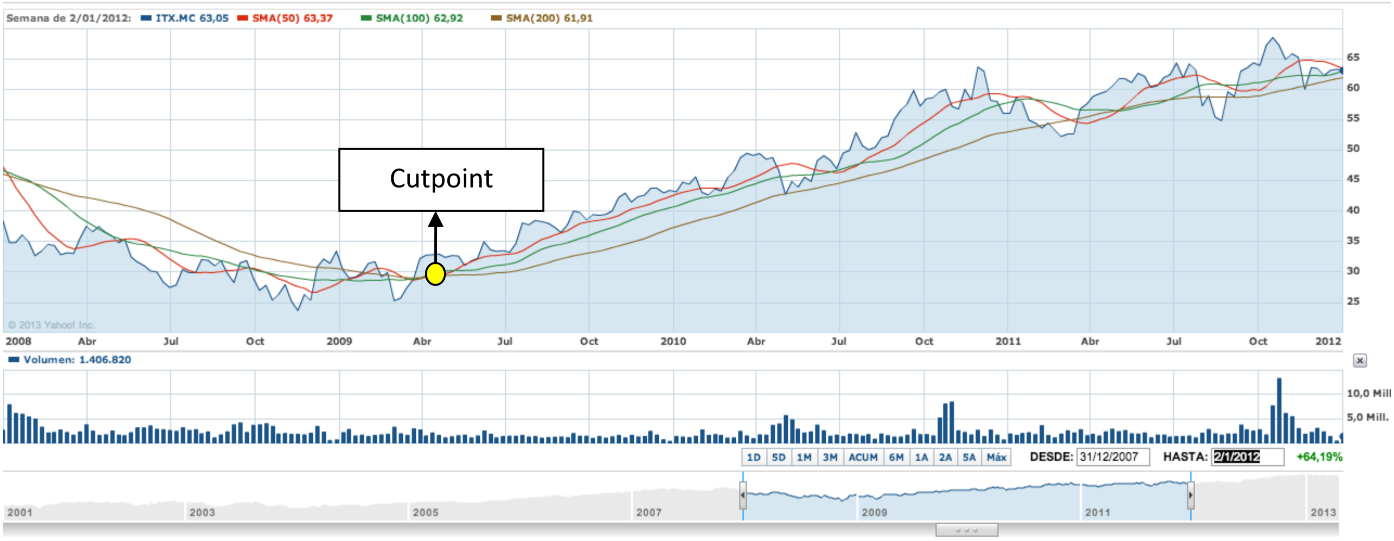
Price at the closure

One of the main points to analyse the evolution of the company over a period, is to undertake some stock analysis. That's why we want to do it before analyzingother risks of the company.

First of all, we will look at the evolution of Inditex stock's price (at closure) during the last 4 years. (1/1/2008 – 31/12/2011)



All of Indexes move up and down or sideways. That depends on the perceptions and prices they are willing to pay. Plotting the results graphically on the chart, trends can be observed. For example, in our case, the evolution has followed an upward trend more or less since the beginning of 2009. Carrying out technical analysis we can determine more easily the trend behavior. Regarding technical analysis, we are going to focus on Moving averages. They are lines that follow the behavior of a security price; they readily depict whether the trend is up, down or static. They are constructed by plotting an average closing price of a certain amount of last periods in the form of a line. In our case, we decide to take the 50,100 and 200-day moving average. The first one, for example, averages the prices for the last 50 days and responds quickly to the direction of the security. On the other hand, the 200-day moving average is considered to be longer term. It is slower to respond than a 50-day moving average and depicts a long term trend.



The change in the trend can be observed through the graphic of the moving averages. In April 2009, the three lines that depict the moving averages crossed each other. Furthermore, the less sensitive moving averages (K=200 and k=100), interchange their positions up to this point. That reinforces our hypothesis that there was a change in the trend which is stable and durable.

The next step is to analyse the descriptive statistic of the price of the stock at the closure during the last 4 years:

Standard Deviation	12,58
Average	44,53
Maximum	68,5
Minimum	23,69
Rank	44,81
Variationcoefficient	28,25%

If we are interested in analysing volatility, we will look at the variance and the standard deviation.The standard deviation measures the dispersion of the data, in this case prices, from the average. The more spread the data, the higher the deviation. Our standard deviation is 12,6€and the variance is $12{,}58^2$= 158, 27.

The interval of average plus o minus de standard deviation contains the 60% of the values: (31,9540; 57,115)

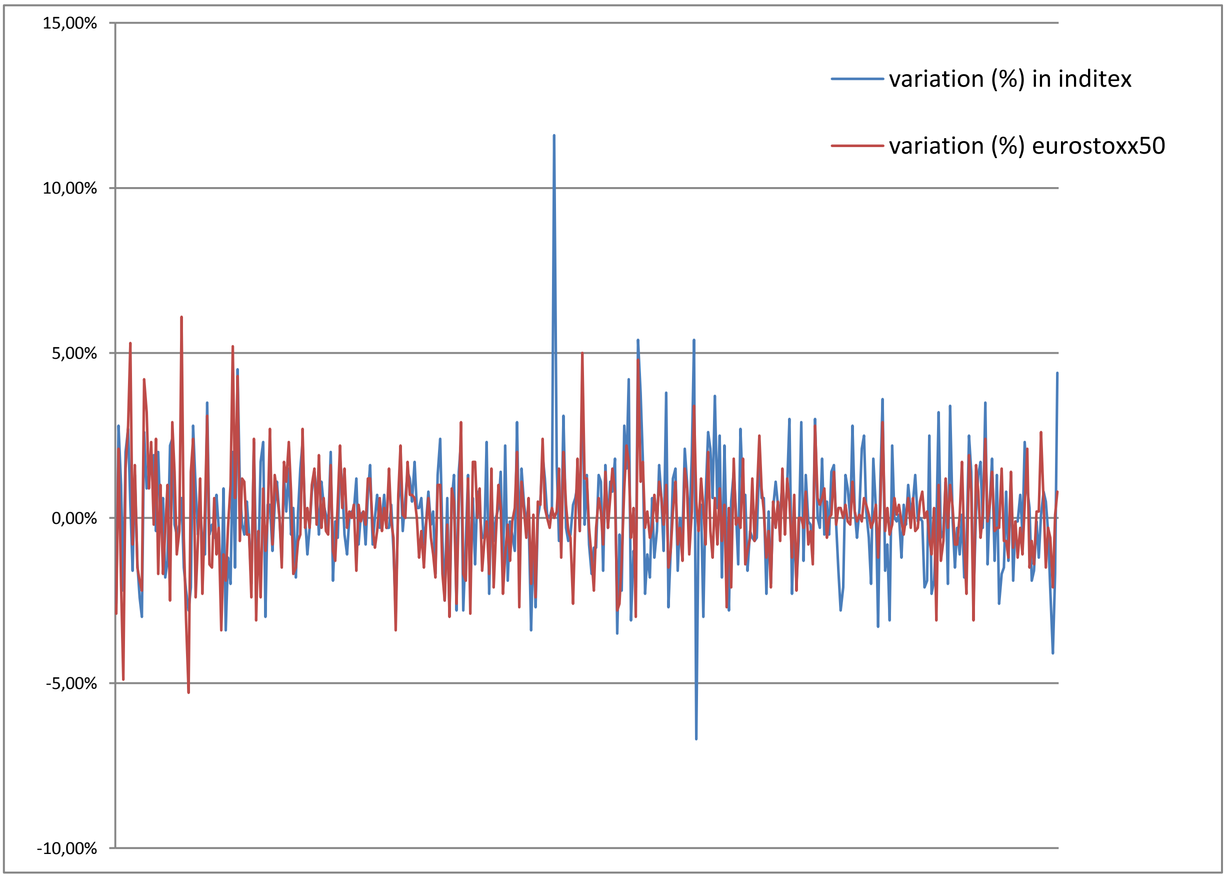
Although computing standard deviation and the variance, it can be difficult to analyse because they haveunit measures. Thus, we cannot compare them with any reference.

That’s why the most suitable measure is the variation coefficient. This is defined as standard deviation /average. As it is a statistical measure without units, it can be used to get more consistent results of volatility. It is bounded between 1 and 0.

The variation coefficient of Inditex is 28,25%. As the value is closer to 0, we can conclude that the volatility is not so high. Now, it would be appropriate to compare it with the Eurostoxx50 variation coefficient (both coefficients are computed within the same time period). Regarding the variation coefficient of eurostoxx50 during 4 years, which is 16,79%, Inditex coefficient is higher. That means that the prices of Eurostoxx are less volatile than the Inditex ones. But, what does it mean that the Inditex prices are more volatile? More volatile stocks endure larger or more frequent price changes. That is taken into consideration when trading with stock.

Comparison with eurostoxx50

Now, it is going to carry out a comparison of Inditex stock and Eurostoxx50. Our comparison will be carried out since Inditex entered into the stoxx50 in 19/09/2011. It entered in that specific day because it accomplished the required capitalization. The graph is based on the variation in % of the stock prices at the closure. The evolution is from Inditex entered into the eurostoxx50 to this (19/09/2011 to 20/04/2011)



As we can see the volatility of index variation is greater than the volatility of Eurostoxx variation. That's consistent with the results obtained in the previous section, in which the variation coefficient was greater for the case of Inditex. However,now we have to bear in mind that we are looking at the variation in %.

If we compare the variation coefficient of both Inditex and Eurostoxx50, Inditex variation coefficient is 32,43% and Eurostoxx variation coefficient is 15,08%. Regarding these results, we can affirm that theyare consistent with the graph, becausethe volatility of Inditex is greater than the volatility of Eurostoxx50.

Regressionanalysis

The next step to keep on carrying out the stock analysis is working out the regression function. First of all, our model will be defined as the following one:

$$\boxed{\textbf{Variation (\%) in Inditex} = \beta_1 + \beta_2 \cdot \textbf{ Variation (\%) in Eurostoxx50} + u_i}$$

The endogenous variable is the variation (%) in Inditex while the explanatory variable is the variation in Eurostoxx50. The disturbance or the error term is u_i. Notice that the model set is really simple, which assumes that the variation in the stock of our company depends only on the variation in the Eurostoxx50.

The regression equation is the following one:

Expected value of Var(%) in Inditex= $\beta_0 + \beta_1 \cdot$ Var(%)Eurostoxx50

Now, the further step will be estimating theβ_2 and then β_1:
We can use either the following formulas or a specific program to get the parameters:

$$\beta_2 = \frac{\textbf{Covariance (Var(\%)inIndex,Var(\%)inEurostoxx)}}{\boldsymbol{Variance\ (Var(\%)inEurostoxx50)}}$$

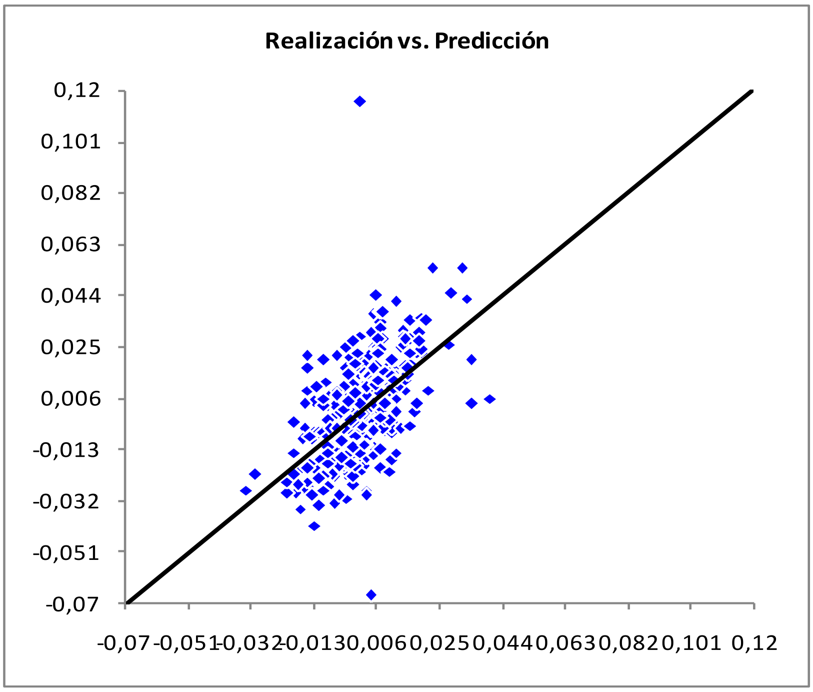
β_1= mean var(%) in Inditex – $\beta_2 \cdot$ mean var(%) in Eurostoxx50

And using a specific program to estimate them:

$$\widehat{var(\%)lnInditexstock} = 0{,}0862 + 0{,}645 \cdot \text{var(\%)Eurostoxx50} + e_i$$

ESTIMACIÓN MCO

Variable	Parámetro	Coeficiente Estandariz.	err. es. Parámetro	Valor t	Prob |t|	Intervalo Parámetro (sig.=0,05)	
β1(Const.)	0,111987		0,099871	1,121	0,2632	-0,084709	0,308683
β2(VAR (%) EURO	0,757802	0,529045	0,076876	9,857	< 0,0001	0,606394	0,909210



Theestimatedregressionfunction

First of all, we are going to check if the estimated betas are statistically significant. The level of confidence is 5%. Our test is defined with the following hypothesis:

H_o = β_1 or β_2 is not statistically significant

H_a=$\beta_1$orβ_2 is statistically significant

The test is carried out with a T-student distribution. The degrees freedoms are n-k:

K: number of parameters (2)

N: number of observations (405)

In our case the degrees of freedom are 403.

If we look at the significance of B_1 and B_2, the constant is not statistically significant because the p-value (0,2364) is greater than 0,05 (Thus we do not reject the null hypothesis). However, the slope is statistically significant because the p-value (<0,0001) is lower than 0,05. That means that the variation in the stock market has influence in our endogenous variable which is the variation in(%) of Inditex stock. (See the following table):

ESTIMACIÓN MCO

Variable	Parámetro	Coeficiente Estandariz.	err. es. Parámetro	Valor t	Prob |t|	Intervalo Parámetro (sig.=0,05)	
β1(Const.)	0,000862		0,000727	1,186	0,2364	-0,000567	0,002291
β2(%DIF. EUROST	0,645012	0,550142	0,048771	13,225	< 0,0001	0,549134	0,740890

As we have seen that the constant is not significant we can take it out from the model:

Var (%) in Inditex= β_1·Var(%)Eurostoxx50 + u_i

After dropping the constant from our model, the model hold is even simpler as the first one.

Now, the next step is to check the overall significance of the test. That is to make sure whether or not the test is statistically significant. We define our hypothesis as the following ones:

H_o = the test is not statistically significant

H_a= the test is statistically significant

ANÁLISIS DE LA VARIANZA

Variable dependiente: %DIF. INDITEX				Número de observaciones: 405	
Variación	**SC**	**gl**	**SC/gl**	**F**	**Prob > F**
Explicada	0,037384	1	0,037384	174,91	< 0,0001
No Explicada	0,086136	403	0,000214		
Total	0,123520	404			
√ECM = 0,014620		R² = 0,3027		R² corr = 0,3009	

If we work with a level of confidence of 0,05 and the p-value obtained is <0,0001, we reject the null hypothesis. Thus the test is statistically significant.

Summing up, the constant is not significant that is why we can take it out from the model, and the parameter β2 (the slope) is significant. Finally the test has overall significance (with the constant).

After ensuring that the overall test is statistically significant, and thus the estimation is relevant, the following statistic that we are going to analyse is the determination coefficient. That statistic measures the % of the total variation that is explained by the explanatory variable.

This coefficient is bounded between 0 and 1. If the coefficient is close to 1, that means that almost all the total variation is explained by our model. On the other hand, if the coefficient is close to 0, it means that the variation is not explained by our model.

The determination coefficient (R^2) given after carrying out the regression is 0,3027. As we can observe R^2 doesn't fit really well. That is, the model doesn't explain so much the variation in the endogenous variable.

Summing up, the Eurostoxx50 evolution doesn't explain so much about the evolution in the variation of Inditex since it entered into it. Having obtained those outcomes, in order to explain better the evolution of the variation in (%) of our company, it will need to look at other variables such as economic situation, governmental policies, interest rates, etcetera. Maybe, they can explain better our variable than Eurostoxx does.

SHORT TERM ANALYSIS

In the short-term analysis the current assets and current liabilities are taken into account to measure the solvency and the liquidity of the firm.

Solvency

Solvency indicates the capability of the company to meet its short-term financial obligations. There are different methods that reflect the solvency of a firm: the working capital and the solvency ratios.

In order to analyse the evolution of Inditex and to appraise its risk in a more extensive way, we have calculated the working capital during 4 years and we got the following results:

	2008	2009	2010	2011
Working capital	873	1.639	2.528	2.734

in millions of €

As it can be seen, the working capital is positive in all years, which means that a company is able to pay off its short-term liabilities almost immediately. Moreover, it can be observed an increasing trend in the working capital. That indicates that the availability of cash has increased over the years and thus, Inditex has reduced its liquidity risk.

If we look closer, we can observe that current assets have increased proportionally more than current liabilities.

	2008	2009	2010	2011
CURRENT ASSETS	3264	3944	5203	5437
- **Inventories**	1055	993	1215	1277
- **Receivables**	585	422	482	531
- **Cash**	1486	2420	3433	3467
CURRENT LIABILITIES	2391	2305	2675	2703

in millions of €

Regarding to the solvency ratios, the most common one is worked out dividing the current assets between the current liabilities. It is calculated as follows:

$$\text{Solvency ratio} = \frac{\text{C. Assets}}{\text{C. Liabilities}}$$

The results obtained during the four years were:

2008	2009	2010	2011
1,37	1,71	1,95	2,01

As it can be seen, in all years the solvency ratio is larger than 1. Then, for example in 2008 Inditex had 1,37€ in current assets for each euro in current liabilities. For that reason, we can affirm that Inditex is solvent since it can meet its short-term debt obligations.

However, this ratio may be not always realistic, since some current assets could be rather illiquid. Then, could be that inventories were difficult to sell or the receivables account weren't available for collection, which would imply troubles for the company to pay its short-term debts. For that reason, there exist other versions of the solvency ratio.

Thus, without considering inventories, we have got the following solvency ratios:

$$\text{Solvency ratio}=\frac{\text{C. Assets - Inventories}}{\text{C. Liabilities}}$$

2008	2009	2010	2011
0,92	1,28	1,49	1,53

Moreover, considering only the cash we have got:

$$\text{Solvency ratio}=\frac{\text{Cash}}{\text{C. Liabilities}}$$

2008	2009	2010	2011
0,62	1,05	1,28	1,10

With these results we can conclude that in 2008 Inditex would have had a liquidity difficulty to meet its short-term obligations if we had taken into account cash and receivables or only the available cash in the company. However, the situation improves in the following years due to the higher increase of the inventory and the receivables in relation with the current liabilities.

Liquidity

In order to calculate the Cash-Cycle, it is needed the average period cash (APC) and the average period of payments (APP).

That is, Average Period Cash is the number of days between the sale of the products and the moment in which money is received.

It is calculated in the following way:

$$APC = \frac{\text{receivables}}{\text{Sales}} x365$$

In the chart below it is expressed the APC for 4 years (2008-2011):

	2008	2009	2010	2011
Receivables	585,00 €	422,00 €	482,00 €	531,00 €
Sales	10.407,00 €	11.084,00 €	12.527,00 €	13.793,00 €
APC	**20,52**	**13,90**	**14,04**	**14,05**

in millions of €, in bold in days

As it can be observed, there is almost no oscillation in the Average Period Cash except for 2008. It takes on average more or less 14 days to collect the money from customers (2009-2011). In order to analyse why the APC has dropped from 21 days in 2008 to 14 in 2009 it has been calculated the APC of 2006 and 2007. In those years, the APC was 16 and 18 days, respectively.

This fall might be due to the expansion of Inditex into countries with no credit card culture or possibly due to the fall of the credit card usage due to the crisis.

Following with the Cash-Cycle, it is also needed the Average Period of Payments, which represents the average of period taken by the company in making payments to its creditors.

It is calculated as follows:

$$APP = \frac{\text{Payables}}{\text{Purchases}} x365$$

	2008	2009	2010	2011
Payables	2.157,00 €	2.270,00 €	2.672,00 €	2.679,00 €
Purchases	4.541,00 €	4.693,00 €	5.327,00 €	5.674,00 €
APP	**173,38**	**176,55**	**183,08**	**172,34**

in millions of €, in bold in days

As it can be appreciated, Inditex is paying, on average, in the period 2008-2011, at 177 days (almost 6 month).

Finally, to obtain the Cash-Cycle, we have to subtract the APP-APC.

The whole process is the following:

$$\text{Cash-Cycle}=\left(\frac{\text{receivables}}{\text{Sales}}x365\right)-\left(\frac{\text{Payables}}{\text{Purchases}}x365\right)$$

Where Purchases are calculated as:

Purchases=Cost of goods-Initial inventory + Final Inventory

The results are listed in the chart below:

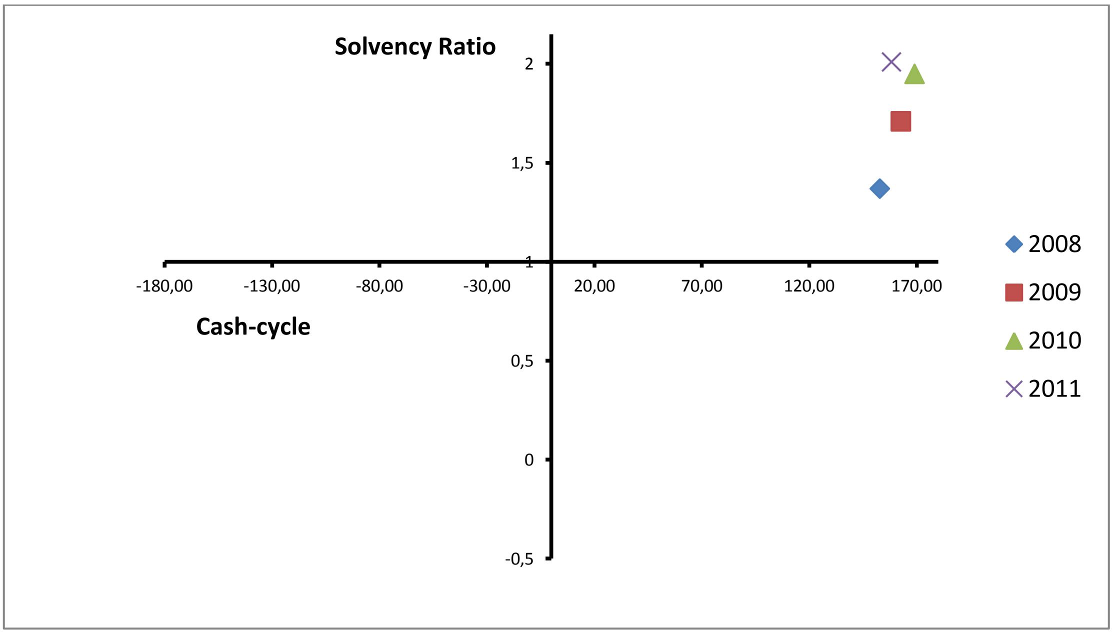
	2008	2009	2010	2011
APP	173,38	176,55	183,08	172,34
APC	20,52	13,90	14,04	14,05
APP-APC	**152,86**	**162,65**	**169,04**	**158,28**

in days

Inditex cash-cycle lasts between 153 and 170 days. That means that it takes 153-170 days (more than 5 months) between its customers pay and Inditex pays its creditors. Collections are primarily made in cash or through credit card payments.

Comparison

In order to analyse the evolution of the situation of Inditex, it is depicted the relation between the solvency ratio and the cash-cycle.



After depicting this relationship, we can observe that Inditex has a solvency ratio larger than 1 and positive cash-cycle.

Summing up, we can appreciate that Inditex is maintaining its position guaranteeing a solvency ratio larger than 1 and a positive cash-cycle. It maintains sufficient cash and cash equivalents to meet the outflows of normal operations.

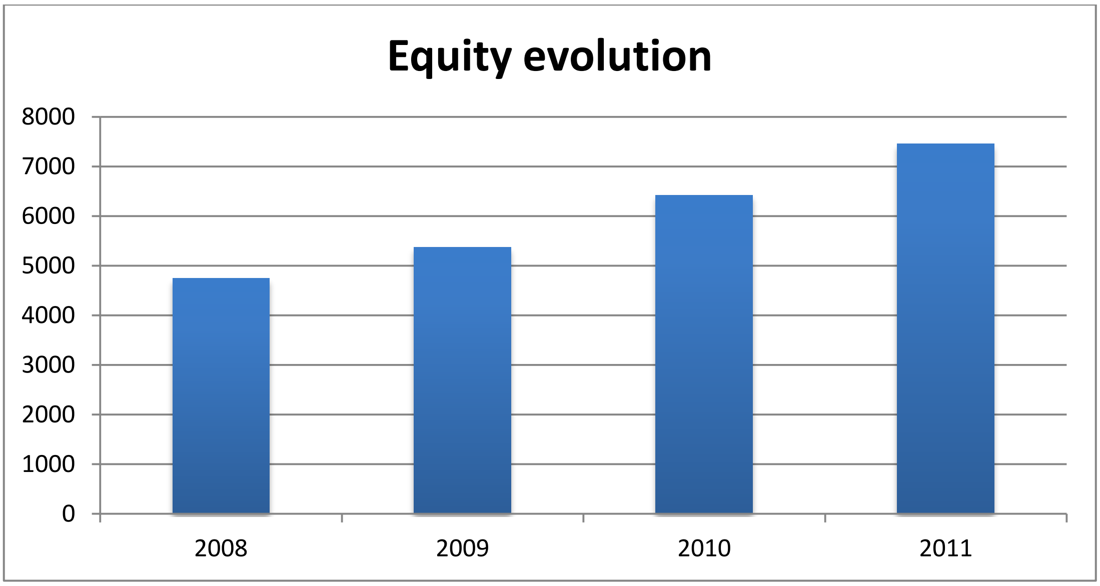
LONG TERM ANALYSIS

Equity analysis

As we can be observed, the equity follows an upward tendency over the time.

2008	2009	2010	2011
4.749	5.371	6.423	7.456

in millions of €



The increase in equity during the period analysed (2008-2011) is mainly due to the rise in the net income.

Using some statistics to provide a better analysis of the equity's evolution, we have obtained the following results:

Average	5999,75
Std. Deviation	1031,93
Variation coefficient	17,20%

As it can be seen, there is a small variation between the equity of Inditex for the period analysed.

Leverage ratio

Now we want to get an idea of the company's methods of financing or to measure its ability to meet financial obligations. To know that, we use the leverage ratio which is calculated as follows:

$$\text{Leverage Ratio}=\frac{\text{Assets}}{\text{Equity}}=1+\frac{\text{Liabilities}}{\text{Equity}}$$

The leverage ratio for 2008-2011 is shown in the chart below:

	2008	2009	2010	2011
Assets	7.777	8.335	9.826	10.959
Equity	4.749	5.371	6.423	7.456
Liabilities	3.028	2.965	3.403	3.504
Leverage	**1,638**	**1,552**	**1,530**	**1,470**

in millions of €

The financial leverage helps to study the relationship between debt and equity and the effect of financial expenses on the profits. As we can appreciate in the chart, the leverage ratio has a slight decrease from 2008 to 2011. This is because the equity has increased proportionally more than the debt. This means that Inditex trusts proportionally more now in equity to finance its activity rather than debt.

If the company relies on debt to finance its activity, it will be more profitable because it will have tax savings. In our case, Inditex leverage ratio has decreased over the years. That means that it is less profitable (*ceteris paribus*) because the decrease of the debt implies that Inditex losses tax savings. However, the company is perceived as safer (less risky) because debt, whichmust be paid, is proportionally less than equity.

OTHER RISKS

Until now we have seen the solvency and the liquidity risks (which belong to short term analysis) and long term risks. Now we are going to point out other main risks that Inditex may face.

- **Business environment**

These are risks coming from external factors, connected with the activity of the Group, for example, the difficulty to adapt to the environment or market in which the company operates. Nowadays, there can be different (economic and demographic) changes in the countries in which the company operates, new ways of communication that arise, and changes in consumption habits.
How to reduce them? The Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the expected figures are met or not. The main point is the multi-brand format of the Group and the use of new technologies (such as store page), which both represent a way to diversify the risk.

- **Regulations**

These risks are mainly trade and consumption, Industrial and intellectual property, tax, custom and labor regulations. In order to reduce the exposure, Inditex departments of corporate Legal, Tax, Industrial Property and Human Resources departments work in coordination with various people responsible in each country or in each geographic zone. Moreover, it uses legal external advisors.

- **Operations**

The main operational risks the Group has to face up to arise out of a potential difficulty in recognizing changes in fashion trends, manufacturing, supplying and putting on the market new models meeting customers´ expectation. To avoid that, stores are permanently in touch with the designer team, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows cutting the manufacturing and delivery terms as well as to reduce the stock volume, while the reaction capacity that allows introducing new products throughout the season, is kept.

Regarding the operative of the Group, the main risks included in this category are found at the logistics centres and in external operators charged with transporting the goods. The distribution of apparel, footwear, accessories and home ware for all the formats is based upon 12 logistics centers spread throughout the territory of Spain.

To reduce exposure to the risk arising out of a bad customer satisfaction, the Group applies standard store service procedures, training and monitoring programs for store managers and assistants, and communication channels available for customers in order to ensure the quality of the sale and post sale service.

- **Currency risk**

The Group operates globally and as a result of using other currencies than the euro in its business transactions, in recognized assets and liabilities and net investment in companies outside the European Monetary Union, the Group faces an exchange rate risk which must be covered in a sufficient and systematic way.

The Group deals in derivatives, mainly in forward contracts, to cover the variations of the cash flow linked to the exchange rate. A forward contract will lock in an exchange rate at which the transaction will occur in the future.

- **Technology and information systems**

These risks are those ones linked to the technical infrastructure and the efficient management of information and of the computing and robotic networks. The risks connected with the physical and logical safety of the systems are also included. To reduce exposure to this type of risks, the Systems department permanently monitors the streamlining and coherence of the systems, directed at minimizing the number of software packages and maximizing training of all users involved in handling.

PROFITABILITY ANALYSIS

After seeing some risks that Inditex may face, now we are going to carry out the analysis of its profitability.

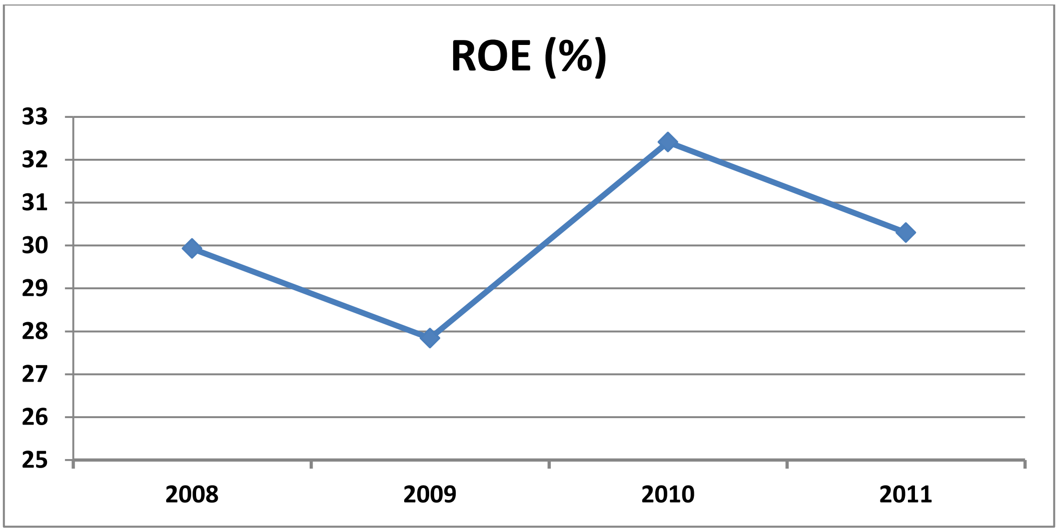
ROEEVOLUTION ANALYSIS

Return on equity (**ROE**) measures the amount of net income returned as a percentage of shareholders' equity, so it indicates a firm's efficiency at generating profits (earnings growth) from every euroshareholders have invested. ROE is expressed as a percentage and it is calculated as:

$$\text{ROE} = \frac{NetIncome}{Equity}$$

The following chart shows the evolution of the ROE for the last 4 years:

2008	2009	2010	2011
29,93%	27,84%	32,41%	30,3%



As it can be seen, our ROEs don't have a clearly trend and they are fluctuating around the 30% approximately. In order to evaluate in detail the evolution of the Inditex's ROEs, we are going to analyse the Dupont formula, which breaks down ROE into three essential components:

$$\text{ROE} = \frac{NetIncome}{Equity} = \underbrace{\frac{Netincome}{RevenuesorSales}}_{\text{Margin Ratio}} \cdot \underbrace{\frac{RevenuesorSales}{Assets}}_{\text{Turnover Ratio}} \cdot \underbrace{\frac{Assets}{Equity}}_{\text{Leverage Ratio}}$$

- **Margin Ratio (profit margin):**is a profitability indicator. It is calculated as net income divided by revenues, ornet profits divided by sales. It measures how much out of every euro of sales a company actually keeps in earnings. This ratio shows the capability of the company to control its costs. Then, for example, let's suppose a situation in which a company has a net income of 20 million € and sales of 100 million €. If in the following year the company obtains a net income of 30 million € and sales of 250 million €, it might seem that the company is in a good situation since it is increasing its net income. However, if we work out the margin ratio, it can be observed that it has fallen from 0,2 to 0,12. This result will indicate that costs had increased at a larger rate than sales, so a better control of company's costs it would be needed.
- **Turnover Ratio (asset turnover):** is an operating efficiency indicator. It is calculated as revenues divided by assets, or sales divided by assets and it indicates the amount of sales or revenues generated for every euro's worth of assets. Thus, it shows a company's efficiency in using its assets.
- **Leverage Ratio (equity multiplier):** it is calculated as assets divided by shareholders' equity and it indicates the degree of indebtedness of a firm. Then a leverage ratio equal to 1 shows us a company without any debt and as the ratio increases, the company becomes more indebted. It is important to point out that companies which are highly leveraged may be at risk of bankruptcy if they are unable to repay their debts.

Considering these ratios, Inditex has obtained the following results:

	2008	**2009**	**2010**	**2011**
Margin ratio	0,121	0,119	0,139	0,141
Turnover ratio	1,46	1,43	1,50	1,40
Leverage ratio	1,69	1,64	1,55	1,53
ROE	**29,93%**	**27,84%**	**32,41%**	**30,30%**

Firstly, we are going to analyse the margin ratio. For example, in 2008 Inditex gained 0,121€ per each € it sold. In 2009 there was a slight decrease in the margin ratio and up to 2009 it has gone up.

In order to analyse deeper this outcome, it is carried out some cost analysis:

	2008	**2009**	**2010**	**2011**
Total costs	9.145	9.766	10.817	11.883
Sales	10.407	11.084	12.527	13.793
Cost/sales	0,879	0,881	0,863	0,862

As we can observe, in 2009 the costs rose more than proportional to sales, that's why the margin ratio was affected, and consequently, went down. In 2010 and 2011, the costs decreased more than proportional than sales, and that's why the margin ratio rose. Inditex managed to control better its costs after 2009.

Secondly, we want to analyse the turnover ratio.For example, the outcome got in 2011 is 1,40. For each € invested in assets, Inditex gets a revenue of 1,40€. During the last four years, the turnover ratio stays between 1,40 and 1,50. In 2011, the assets increased more than proportionally to sales, that is the reason why the turnover ratio goes down. If we analyse in detail the situation we can see that:

	2008	2009	2010	2011
Sales	10.407	11.084	12.527	13.793
Increase in %		6%	12%	9%

And regarding to the assets:

	2008	2009	2010	2011
NON CURRENT ASSETS	**4.513**	**4.392**	**4.624**	**5.522**
Fixed assets	3.451	3.307	3.414,	4.083
Variation %		-4%	3%	20%
Intangible assets	680	665	687	832
Variation %		-2%	3%	21%

As we can see, in 2011 fixed assets (material and intangible) suffers a great increase. Despite the huge investment in fixed assets, Inditex has not been able to generate as much revenues as the previous years. That is, the company couldn't get to manage its assets efficiently.

Thirdly, we are going to analyse the leverage ratio. As we can appreciate in the chart, the leverage ratio has a slight decrease from 2008 to 2011. This is because the equity has increased proportionally more than the debt. This means that Inditex trusts proportionally more now in equity to finance its activity rather than debt.

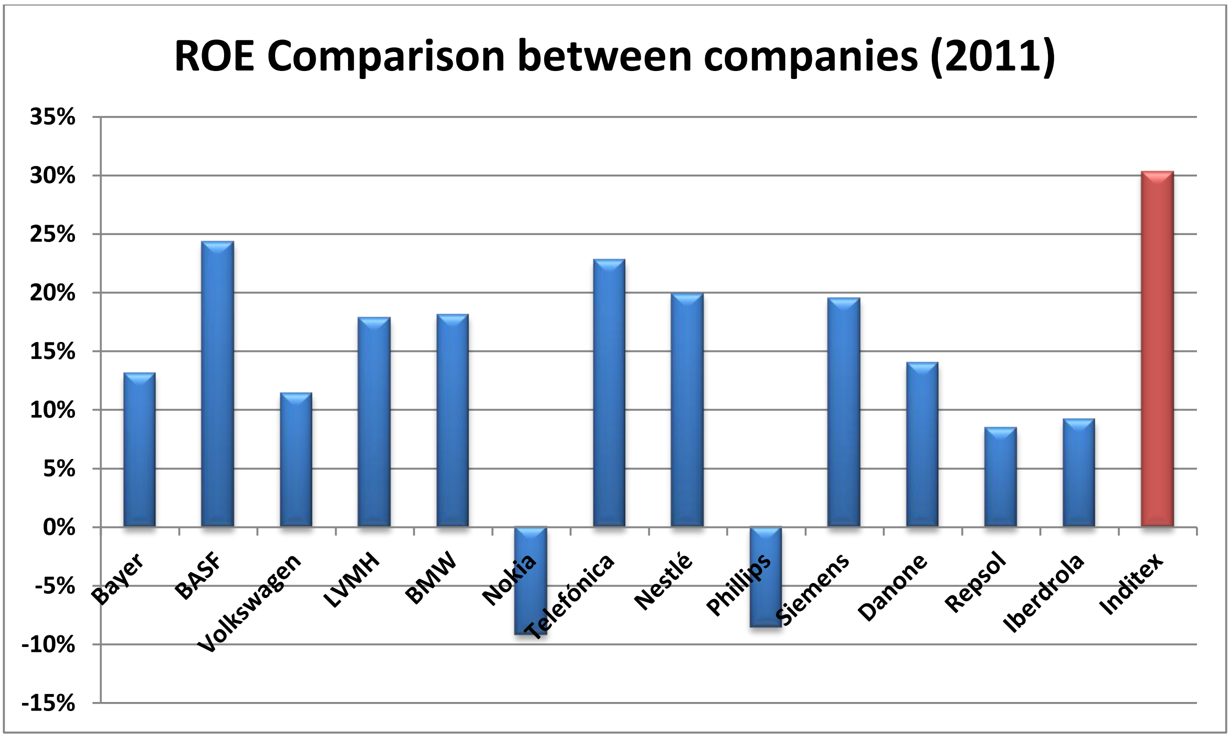
Having seen that, it is time to analyse the ROE based on the previous analysis. During the last four years, ROE has gone up and down: in 2009 decreased and then increased again. In 2011 the ROE decreased again. ROE indicates a firm's efficiency in generating profits from every euro shareholders have invested. In 2009 it went down because the margin ratio, the turnover ratio as well as the leverage ratio decreased. In 2010, although the leverage ratio decreased again, the margin and the turnover ratio increased which both have more impact on the ROE. In 2011, the margin ratio has a slight increment but especially the turnover ratio has a great decrement, which affects highly our ROE, and consequently, makes it decrease. Moreover, the leverage ratio decreases a bit.

Summing up, in 2011 the company doesn't get to manage its assets efficiently, even though it manages to control its cost and subsequently, a greater margin ratio. However, the turnover ratio has a bigger impact.

ROE comparison between enterprises

Until now we have been analysing the ROE of Inditex but, in order to evaluate whether our results are good or not, an extended analysis is needed. Thus, we are going to work out the ROEs of other important companies listed in Eurostoxx50 and compare them with Inditex so that we would be able to appraise actual situation in relation other big enterprises.

Considering the ROEs during 2011, we have got the next chart:



As we can see, Inditex is the company with the greatest ROE, thus it is the one whichgenerates more profits from each euro that shareholders have invested.

BASF is the runner-up with a ROE of almost 25%. Telefonica is also in a good position regarding the ROE, of 23%.The worst companies regarding ROE ratio are Nokia and Phillips, even with a negative ratio.

Now, let’s analyse in detail the Margin, Turnover and Leverage Ratios to analyse better the ROE outcomes.

	ROE	Margin	Turnover	Leverage
Bayer	13,10%	0,068	0,709	2,726
BASF	24,34%	0,0841	1,2014	2,4098
Volkswagen	11,41%	0,0454	0,628	4,01
LVMH	17,80%	0,1295	0,63	2,16
BMW	18,10%	0,071	0,5575	4,554
Nokia	**-9,17%**	**-0,0384**	0,98	2,4
Telefónica	22,77%	0,09	0,48	**4,7**
Nestlé	19,92%	**0,1491**	0,7493	1,78345
Phillips	-8,55%	-0,0579	0,6901	2,1382
Siemens	19,5%	0,084	0,705	3,306
Danone	14%	0,086	0,689	2,38
Carrefour	No info			
Repsol	8,44%	0,0417	0,7783	2,6025
Iberdrola	9,17%	0,091	**0,33**	2,92
Inditex	**30,29%**	0,141	**1,4**	**1,53**

Analysing the results deeply, we can see that Inditex has the greatest turnover and the smallest leverage ratio. On the other hand, the margin for 2011 is quite highbut not the biggest one, which is from Nestlé. This outcome in the turnover ratio makes sense because Inditex is characterised by having a great distribution capacity around the world, which allows Inditex having a large amount of revenues, despite that in 2011 the turnover ratio was the lowest in the last four years.

Regarding to leverage ratio, Inditex is the least leveraged company. If we look at BASF (the runner-up) regarding the ROE, we can see that the leverage ratio is higher than Inditex one. Comparing both results, Inditex is able to get a large ROE without a high degree of indebtedness. BASF, which also has a good ROE, can get a high ROE because its good turnover ratio.

However, since Inditex leverage ratio is quite small, it could increase its debts to get a higher return on equity.

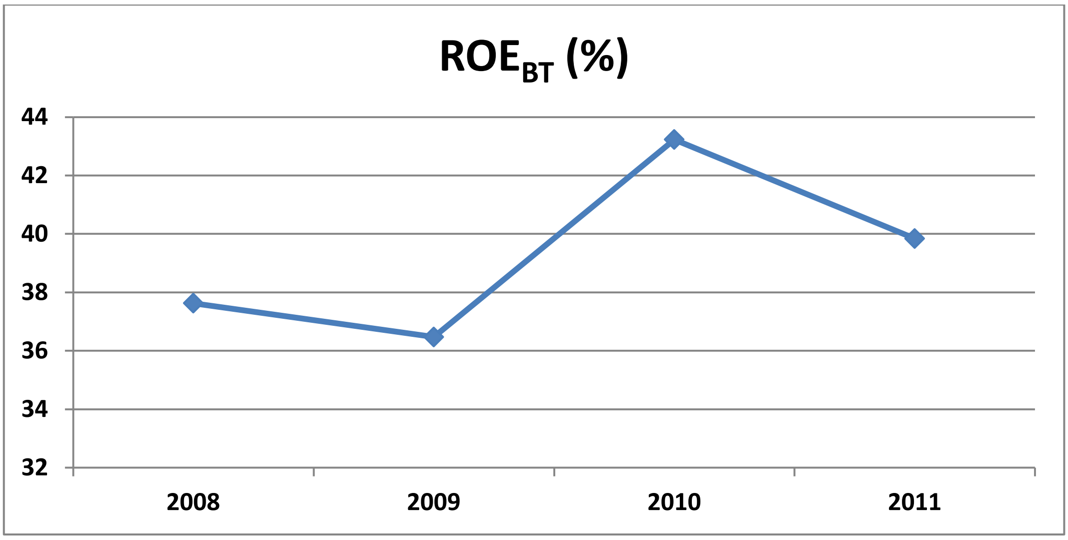
ROE before taxes

In order to appreciate the fiscal impact of Inditex, we are going to analyse the ROE without taking into account taxes. For that reason, we are going to calculate the ROE before taxes as follows:

$$\mathbf{ROE_{BT}} = \frac{EBT}{Equity}$$

Then, we have obtained these results:

2008	2009	2010	2011
37,63%	36,47%	43,23%	39,84%



As it can be seen, the ROE_{BT} behaves in a similar way than the normal ROE, but it has higher percentages due to that EBT is larger than net income since taxes aren't subtracted.

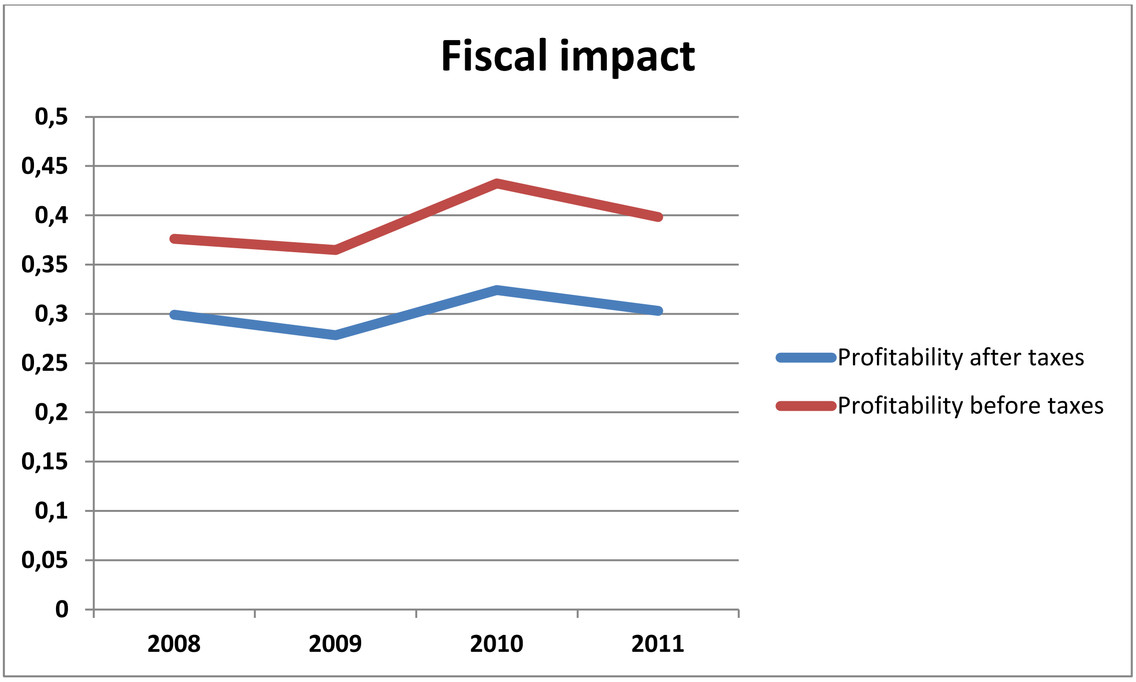
Moreover, to appreciate the fiscal impact in our company, we are going to subtract ROE and ROE_{BT} and we have got:

Fiscal impact= ROE - ROE_{BT}

2008	2009	2010	2011
-7,71%	-8,63%	-10,82%	-9,54%

These results express that, for instance, in 2008 taxes affected ROE, which was 7,71% less than the ROE_{BT}.Then, we can affirm that the larger fiscal impact was in 2010.

Let's see this fiscal impact in a more visual way:



As we can see in the graph, the pattern of both profitabilities is the same, which makes sense because subtracting both values, we get a debt impact around 15% and the difference between both lines is almost constant. We can see through the graph that the largest impact coincided in 2010.

ROA EVOLUTION ANALYSIS

Return on assets (ROA) is a ratio which measures the return on assets. It is an indicator of how profitable a company is relative to its total assets. Furthermore, ROA gives you an idea of what earnings are generated from invested capital (assets).

We know that the assets of the company are fund of both debt and equity. And thus, both of these types of financing are used to fund the operations of the company. The higher the ROA number, the better, because the company is earning more money on less investment. For example, if one company has a net income of $1 million and total assets of $5 million, its ROA is 20%; however, if another company earns the same amount but has total assets of $10 million, it has an ROA of 10%. Based on this example, the first company is better at converting its investment into profit.

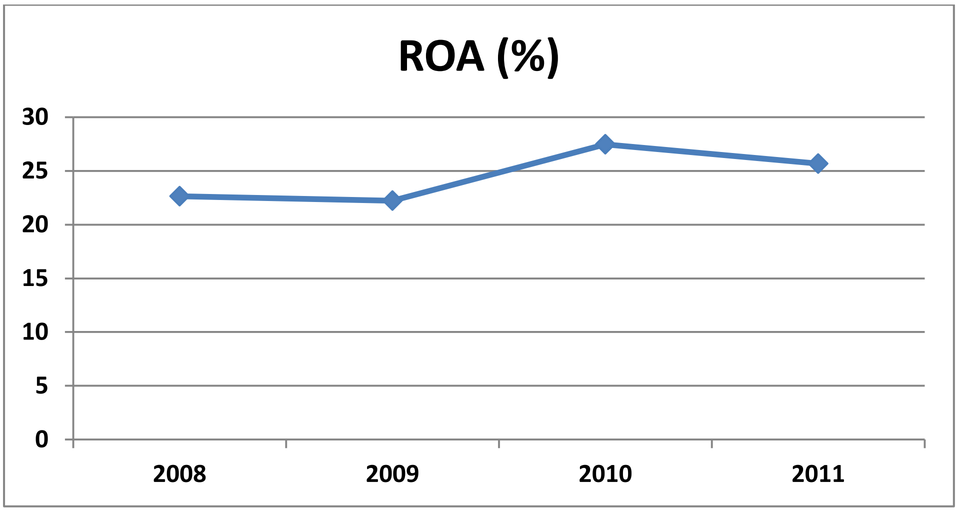
Management's most important job is to make wise choices in allocating its resources. Very few managers are good at making large profits with little investment.

Calculated by dividing a company's annual earnings by its total assets, ROA is represented by a percentage.

$$\text{ROA=}\ \frac{EBIT}{Assets} = \underbrace{\frac{EBIT}{RevenuesorSales}}_{\text{Margin Ratiobefore interests and taxes}} \cdot \underbrace{\frac{RevenuesorSales}{Assets}}_{\text{Turnover Ratio}}$$

As it can be observed, in the formula of ROA there isn't a leverage ratio and taxes are not taking into account, so it shows us how profitable a company is independently of its financial structure.

2008	2009	2010	2011
22,64%	22,23%	27,47%	25,67%



As it can be seen, ROA is a bit lower than ROE (in average ROA was 24,5% and ROE 30,12%). This difference is mainly because the leverage is not taking into account.

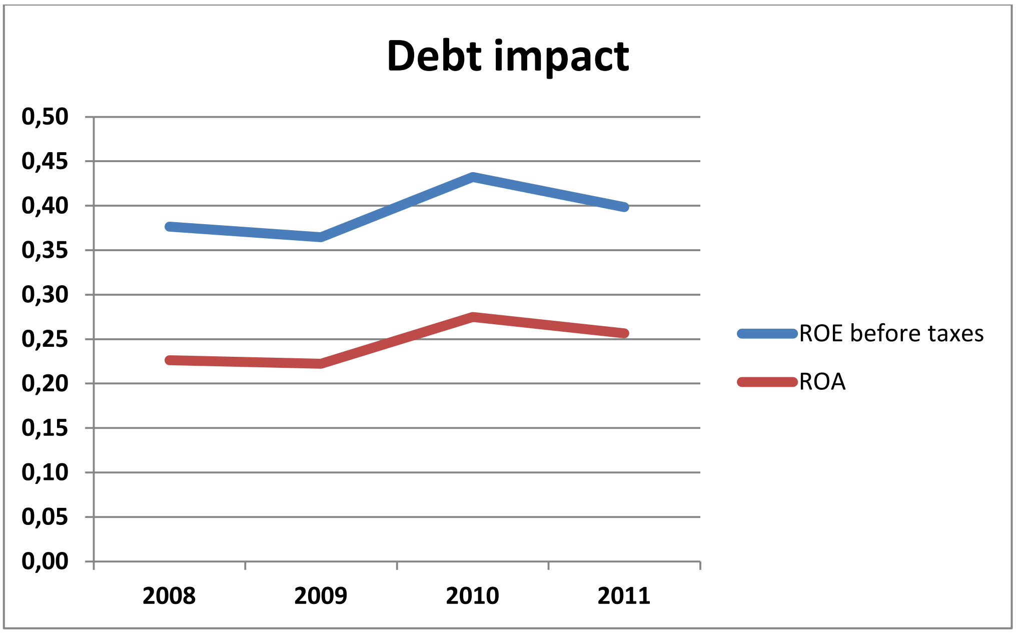
Moreover, to appreciate the debt impact in our company, we are going to subtract ROE_{BT} and ROA.

Debt impact= ROE_{BT} - ROA

Our results are shown in the following chart:

2008	2009	2010	2011
14,99%	14,24%	15,76%	14,17%

Let's see this debt impact in a more visual way:



As it happens with the fiscal impact, the difference between both values remains more or less constant over the years. Then, for instance, in 2008 the ROE_{BT} was 15% higher than ROA due to the leverage effect. With these results we can conclude that indebtedness affectsthe ROE increasing its values.

RELATIONSHIP BETWEEN ROE, ROA AND DEBT RATIO

Now we are going to depict a simple and very illustrative chart to show the relationship between ROE_{BT}, ROA and the debt ratio.

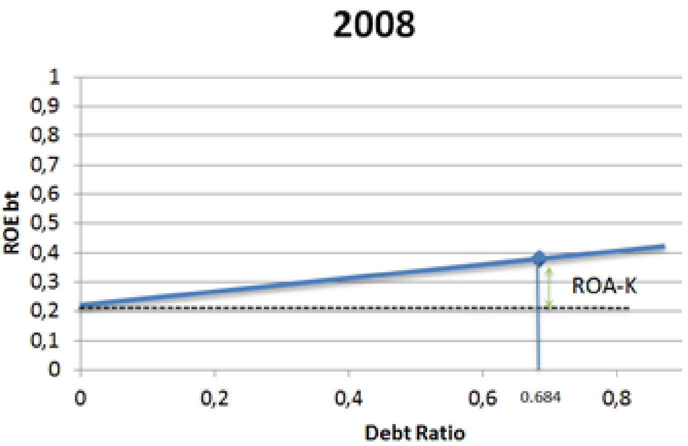
	2008	2009	2010	2011
ROE_{BT}	37,63%	36,47%	43,23%	39,84%
ROA	22,64%	22,23%	27,47%	25,67%
Debt Ratio	0,69	0,64	0,55	0,53

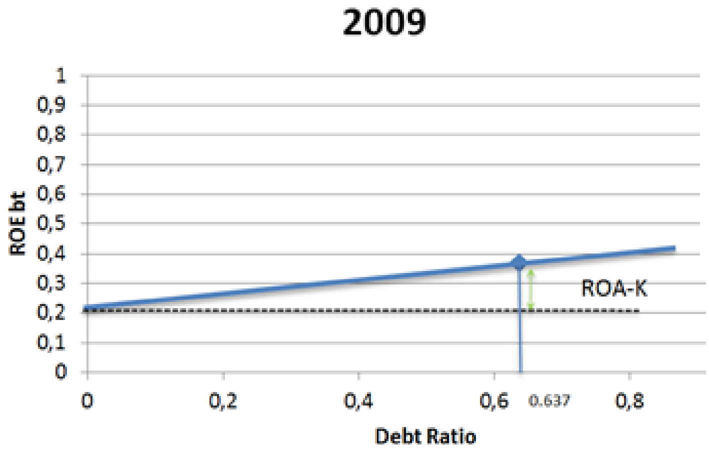
Another way to analyse more precisely the relationship between ROA, ROE before taxes and leverage ratio is taking into account the interests.

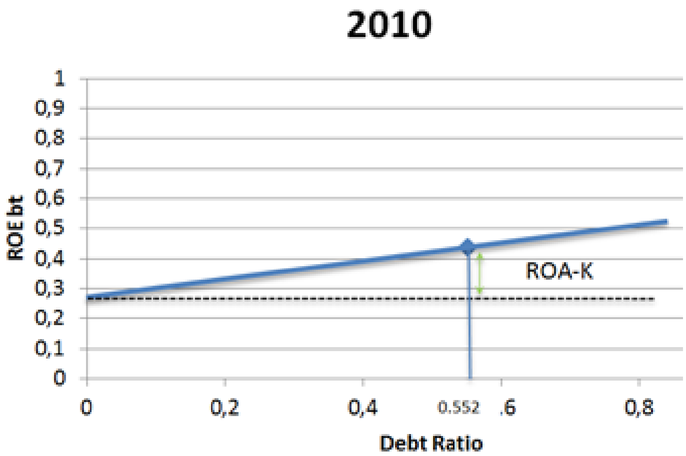
$ROE_{BT} = \frac{EBIT-interest}{Equity} = \frac{EBIT-k*Liabilities}{Equity} = \frac{EBIT-k*Liabilities}{Assets} \cdot \frac{Assets}{Equity} = \left(\frac{EBIT}{Assets} - k \cdot\right.$ ***LiabilitiesAssets·1+LiabilitiesEquity=ROA−k·LiabilitiesAssets·1+LiabilitiesEquities=ROA+ROA·LiabilitiesEquities−k·LiabilitiesEquity=ROA+ROA−K·Debt ratio***

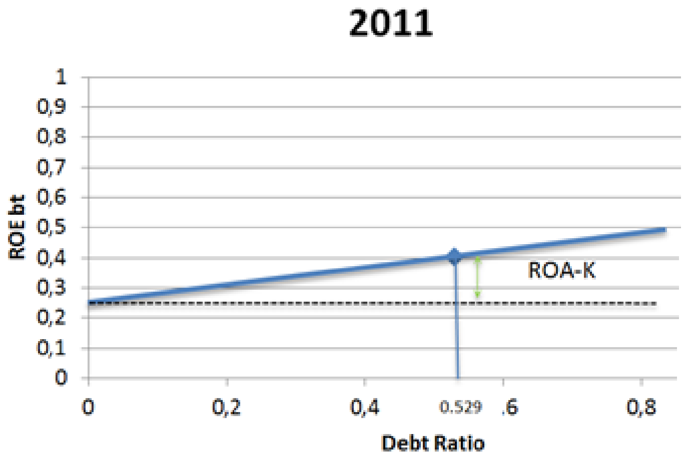
As we have seen before, ROA do not take into account neither taxes nor debt. That's why, if the debt ratio is 0, ROE before taxes and ROA coincide. Then as we increase the debt ratio, it is depicted a straight line which shows the leverage effect (difference between the straight line to the ROA).

Depicting this relationship for each year, we can observe that the debt ratio diminishes over the years, which makes sense because as we have seen before, the leverage ratio has decreased over the years. The equities increase more than proportional to liabilities.









We can see that more less the ROE_{BT} stays the same every year; the only thing that changes is the debt ratio which has decreased every year. The debt ratio doesn't have impact in our ROA, because as we have seen before, ROA doesn't take into account the leverage effect.

Having analysed these charts, we have noticed that the k is really low (almost zero). We can observe this because the ROE_{BT} remains almost equal if we don't take into account the k. For that reason, we can say that our ROE_{BT} is more or less:

$$\boldsymbol{ROEbt = ROA + (ROA - K) * Debt\ ratio}$$

$$\boldsymbol{And\ k \approx 0 \rightarrow ROEbt = ROA + ROA * debt\ ratio}$$

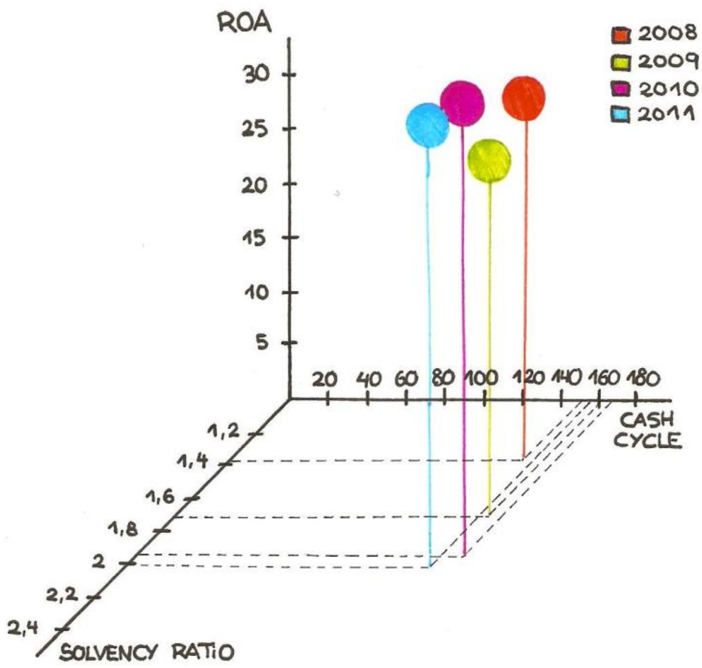
See the following chart which compares the $ROE_{BT}$and the ROE_{BT}doing the computation with the formula above:

	2008	2009	2010	2011
ROE_{BT}	37,63%	36,47%	43,23%	39,84%
ROE_{BT}=ROA+ROA*debt ratio	38,15%	36,41%	42,64%	39,27%

As we can observe there is a slightly difference between them. This outcome is going to have great relevance when the optimal point is calculated. Thus we expected the k which is going to get for each year is almost 0, because Inditex is almost not financed by long term loans and it only gets financing from paying late to its suppliers (that's why Inditex has a large cash cycle).

CASH-CYCLE, SOLVENCY RATIO AND ROA

In the chart below, it is represented the relationship between ROA, Solvency ratio and Cash-Cycle during the period analysed, which allows us to know if the company is in a risky position.



	2008	2009	2010	2011
Solvency ratio	1,37	1,71	1,95	2,01
ROA	22,64%	22,23%	27,47%	25,67%
Cash-Cycle	152,86	162,65	169,04	158,28

The ROA have changed a little bit among the years, the worse value lies in 2009. Even though, the values are around 25% (As it have been seen before). As regards the solvency ratio, it increases year after year. In 2011, Inditex gets the largest solvency ratio (2,01). Regarding the cash-cycle, it is really large which is good for the company because it can let Inditex finance by paying late to its suppliers, and without relying on long-term loans. As it can be appreciated in the graph, it has a cash-cycle of 5 months. Summing up, Inditex is in a good position in terms of solvency, profitability and liquidity.

OPTIMAL POINT

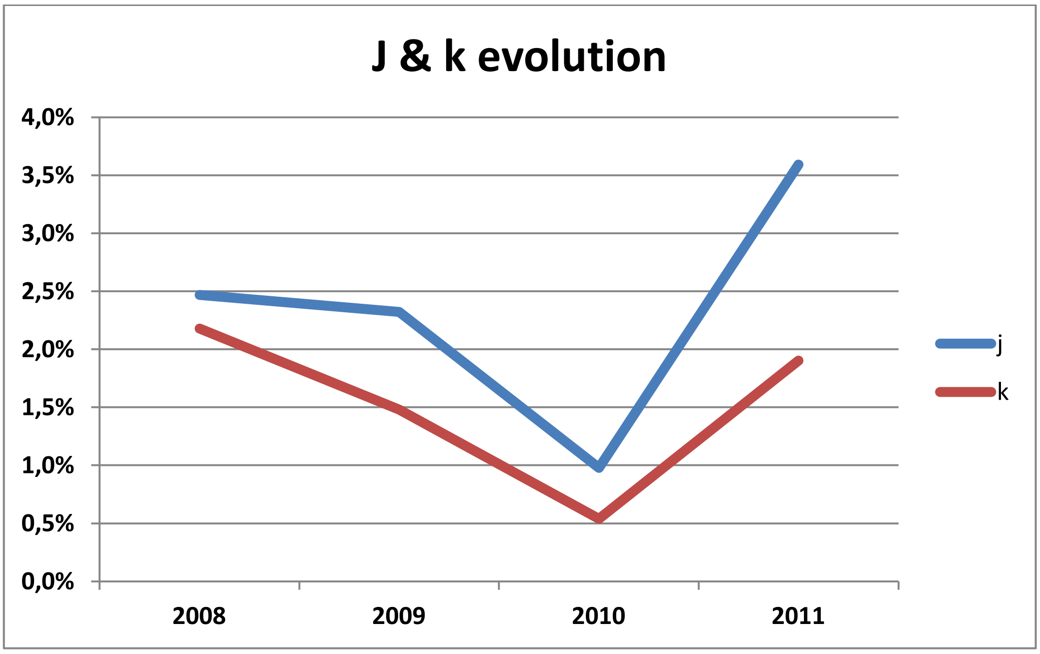
We have seen before that the company gets to reach a good profitability without relying so much on debt. In this part, we are going to calculate the optimal debt ratio that makes the company's ROE_{BT}maximized.

In order to do that, we need to calculate "k" which is the cost of debt for Inditex, and then "j" which is the bank and institution sensitivity to lend money.

$$\boldsymbol{k = \frac{Interest\ payments}{Non\ current\ liabilities}}$$

Then, to calculate the "j", it is used the following formula:

$\boldsymbol{k = e + j \cdot \frac{Liabilities}{Equities}}$where "e" is Euribor



If we look at the absolute values, they're and not so high. Both cost of debt and sensitivity to the banks to lend money go downward until 2010, and then they go upwards from 2010. The evolution pattern is the same for both values, which is consistent because if the banks are more reluctant to lend money, of course, the cost of debt may increase. That fact can be observed I the change of the trend in 2010.

Once we obtained these parameters, we can keep on computing the optimal debt ratio point taking the first derivative to the following equation:

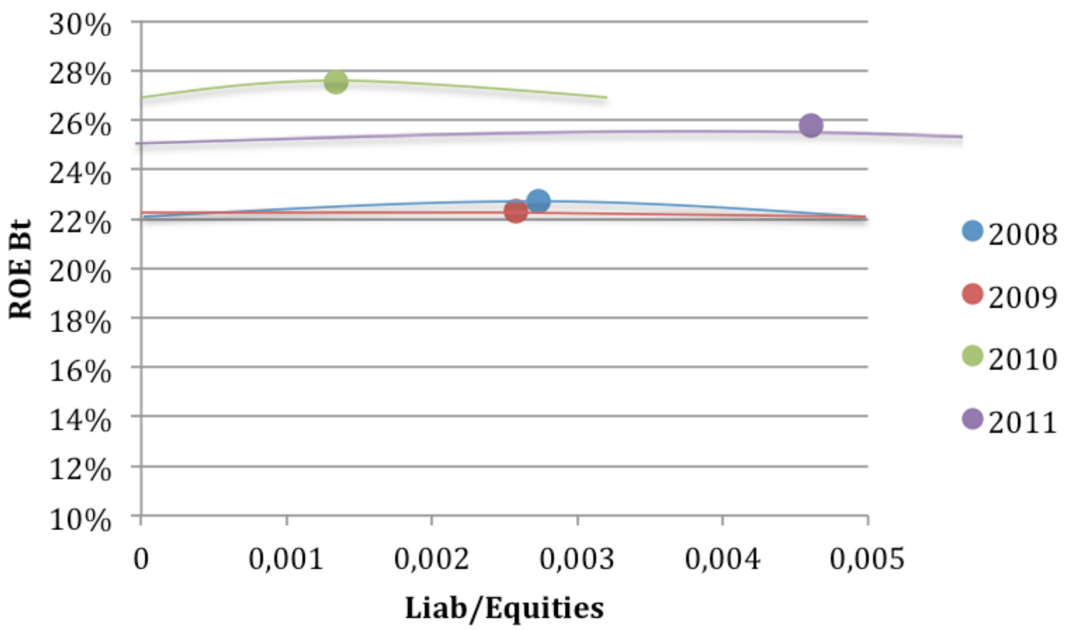
$$\boldsymbol{ROE\ bt = ROA + (ROA - e) \cdot debt\ ratio - j \cdot debt\ ratio^2}$$

$$\boldsymbol{\frac{\partial ROEbt}{\partial debt\ ratio} = (ROA - e)\ 2j \cdot debt\ ratio \rightarrow maximising \rightarrow debt\ ratio = \frac{ROA - e}{2 \cdot j}}$$

After computing "k", "j" and then, the optimal debt ratio, we got:

	2008	2009	2010	2011
k (cost of debt)	2,2%	1,5%	0,5%	1,9%
j (sensitivity)	2,5%	1,6%	0,1%	2,7%
Debt ratio (optimal)	0,27%	0,17%	0,01%	0,34%

Thus, the optimal ratio obtained is small as well. In the following graph it is shown the optimal point of indebtedness that maximizes the ROE before taxes.

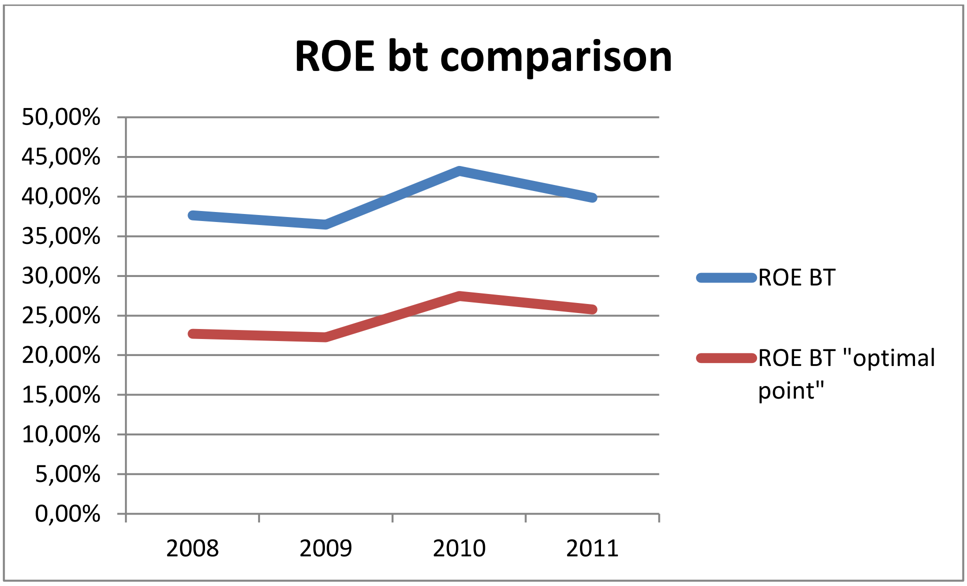


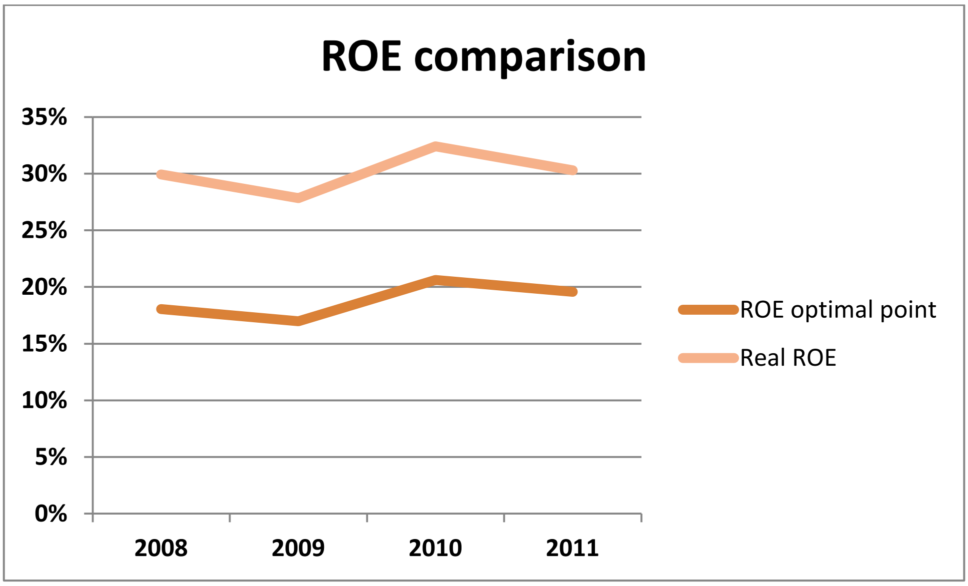
Our assumptions before doing this computation were to get a higher debt ratio in the optimal point because our company is not very leveraged. However, the results obtained don't make sense because the optimal point gives a lower debt ratio that the one the company really has. Of course, according to the results obtained, the ROE_{BT} with the new debt ratio is lower than the real one for each year. We have seen before that the "k", that is, the cost of debt is almost 0. Thus, we think that can affect the optimal point calculation.

The following chart shows the previous ROE and the one before taxes, the ROE and ROE before taxes, both in the "optimal" point of indebtedness.

	2008	2009	2010	2011
ROA	22,64%	22,23%	27,47%	25,67%
ROE_{BT}	37,63%	36,47%	43,23%	39,84%
ROE	29,93%	27,84%	32,41%	30,30%
ROE_{BT} "optimal point"	22,70%	22,27%	27,48%	25,75%
ROE "optimal point"	18,05%	16,98%	20,61%	19,58%

Depicting these results in a chart:





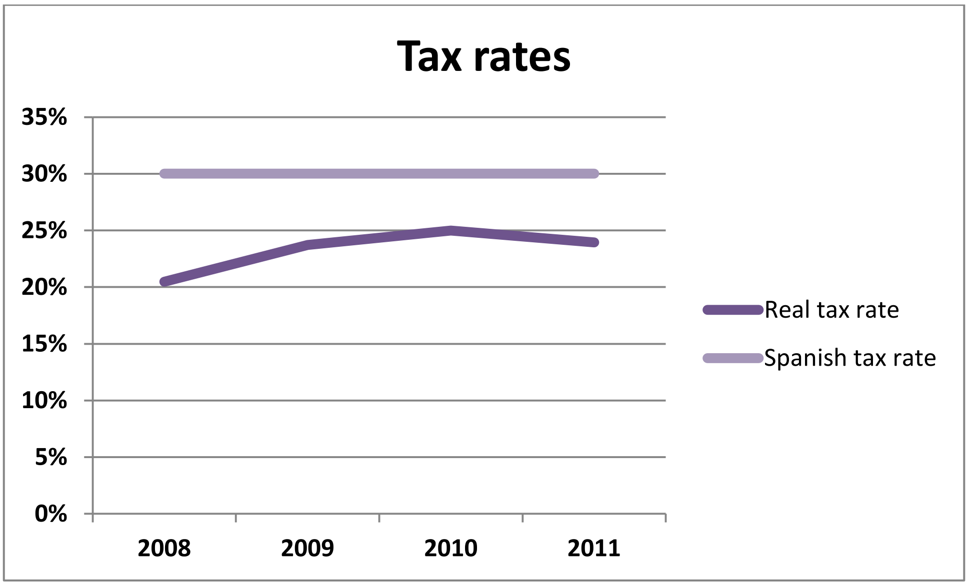
As we have said before, as the debt ratio is lower, the ROE before taxes and the ROE are lower too. Notice that, the results obtained are even lower than the ROA we got before. Although these results are not the optimal ones, they can help us to understand that if the debt ratio and thus, the leverage of the company decrease, the profitability of the company will decrease too.

REAL TAX RATE

Real tax rate is calculated as Corporate tax expense/EBT.

2008	2009	2010	2011
20,48%	23,73%	24,98%	23,95%

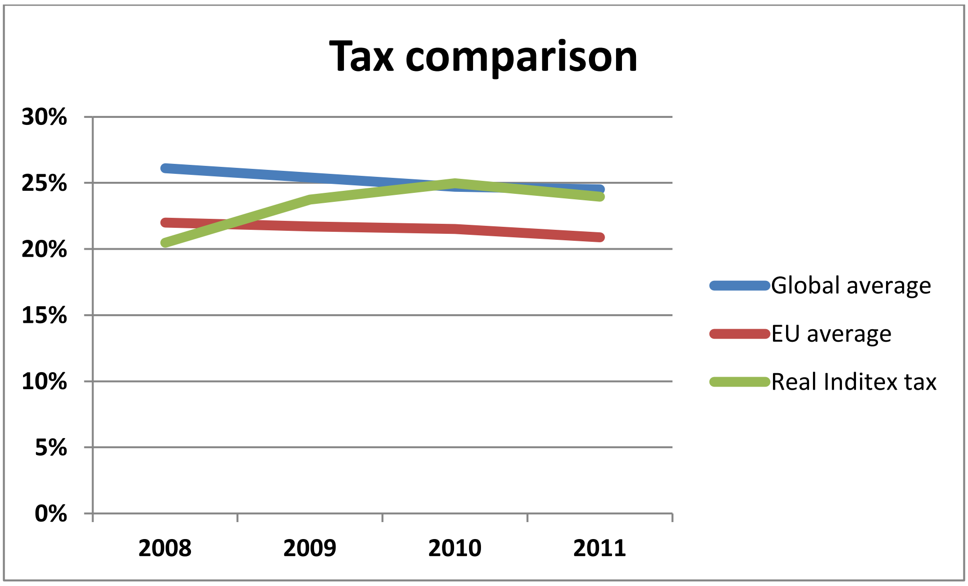
Analyzing this evolution through a graph:



As we can see, the real taxes that Inditex pays are less that the ones that a company of this level of profits is supposed to pay in Spain, where the corporate tax for companies of this size is 30%. However, as Inditex has subsidiaries all over the world, it is taxed at different tax rates, being the average in the last years around the 24%. Inditex tax rate tends to converge with the global average, probably because its global expansion into new markets. As it can be observed in the chart below[2], compared with the one above, Inditex convergesto the global average which is higher rather than the Europe average which is lower, as it is being expanded in new countries every year.

	2008	2009	2010	2011
Africa average	28,65%	28,75%	28,38%	28,55%
North America average	36,75%	36,5%	35,5%	34%
Asia average	27,99%	25,73%	23,96%	23,1%
Europe average	22%	21,7%	21,52%	20,88%
Latin America average	27,96%	27,96%	27,52%	29,02%
Oceania average	29,6%	29,2%	29%	28,6%
EU average	23,29%	23,22%	23,04%	22,8%
OECD average	26,05%	25,71%	25,77%	25,49%
GLOBAL AVERAGE	**26,12%**	**25,4%**	**24,71%**	**24,52%**

We can observe these assumptions, analyzing and comparing the real Inditex tax rate with the global average and the EU average:

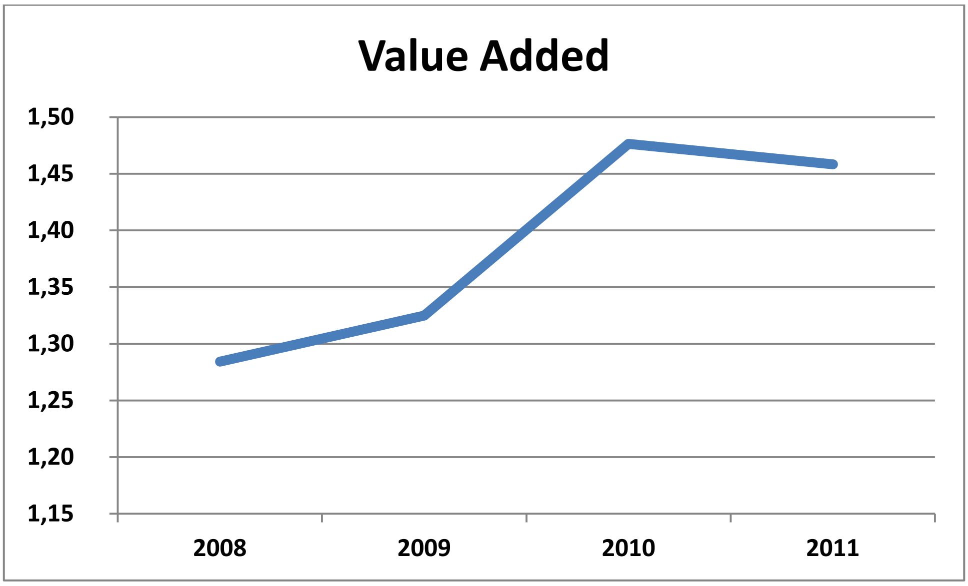


[2]http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx

VALUE ADDED

Value added is a way of analysing the profitability of the company, but not the productivity. The value-added that a company gets can be measured through different ratios, but we found the ratio EBITDA/Wages the best one to show clearly this concept.

2008	2009	2010	2011
1,28	1,32	1,48	1,46



That ratio shows us how much the company is earning per € invested in wages. Then the higher the ratio, the higher the profitability that Inditex's employees provide. The value-added has increased every year, except 2011, which diminishes a little bit. The maximum value-added ratio is reached in 2010.

VALUE OF THE COMPANY

Now we want to analyse the value of Inditex for each year. We have used the following formula:

$$Value = \frac{Dividends}{I_1 - g}$$

We have to take into account that this formula is only useful if the return of investments is greater than the growth.

The "I_1" is the return of the investment for the shareholders while the "g" is the growth rate. They are calculated as:

$$\boldsymbol{return\ on\ investment \approx \frac{1}{PER}}$$

$$\boldsymbol{growth\ rate = (1 - pay - out)(1 - real\ tax) \cdot ROA}$$

	2008	**2009**	**2010**	**2011**
PER	**14,86**	**24,56**	**20,15**	**20,41**
Dividends	662.000	662.000	751.000	997.000
Growth rate	8,56%	8,47%	11,72%	9,52%
Return on investment	6,73%	4,07%	4,96%	4,9%
Value	-36.152.266,89	-15.066.706,32	-11.112.943,69	-21.585.471,37

Values in thousands

We can see, this formula doesn't work in any year because the growth rate of the company is greater than the return on investments. This formula is not useful to value the company in those cases. It is important to point out that; of course, the real value of the company for those years is not negative.

RISK &PROFITABILITY CONCLUSIONS

CONCLUSIONS

Regarding to the risk and profitability analysis, we have abstracted the following conclusions:

- Analysing the behavior of Inditex stock variation, we can conclude that Eurostoxx50 evolution doesn't explain so much about the evolution in the variation of Inditex since it entered into it. Having obtained those outcomes, in order to explain better the evolution of the variation in (%) of our company, it will need to look at other variables such as economic situation, governmental policies, interest rates, etcetera. Maybe, they can explain better our variable than Eurostoxx does.

- The working capital is positive in all years, which means that a company is able to pay off its short-term liabilities almost immediately. Moreover, it can be observed an increasing trend in the working capital (then the availability of cash has increased over the years and thus, Inditex has reduced its liquidity risk).

- The solvency ratio is larger than 1 in all years analysed. However, taking into account other versions of the solvency ratio, we can conclude that in 2008 Inditex would have had a liquidity difficulty to meet its short-term obligations if we had taken into account cash and receivables or only the available cash in the company.

- Inditex cash-cycle lasts between 153 and 170 days. That means that it takes 153-170 days (more than 5 months) between its customers pay and Inditex pays its creditors. Collections are primarily made in cash or through credit card payments.

- Inditex is maintaining its position guaranteeing a solvency ratio larger than 1 and a positive cash-cycle. It maintains sufficient cash and cash equivalents to meet the outflows of normal operations.

- Inditex's equity has increased during the period analysed (2008-2011), that is mainly due to the rise in the net income.

- Inditex is likely to be one of the most profitable companies in Eurostoxx50 if we compute the profitability taking into account the ROE, which for Inditex in 2011 is about 30%.

- Inditex is the lowest leveraged company, which makes it less risky than the other ones. Regarding this result, somebody can assume that it is not profitable, but as we have seen before, the ROE is really high. That result is because it has great turnover and margin ratios, which have been analysed before. That result is consistent with the fact that Inditex is a Brand Champion.

- However, its profitability could be even greater if the company increases a little its leverage. The company would increase its tax-savings, and thus, be more profitable. In the following chart, we are going to calculate how the ROE would change, if we change our leverage ratio. For example, if we increase the leverage to 2,5 every year, which is not really risky if we take into account the other companies, we can see that:

	2008	2009	2010	2011
Constant leverage ratio	2,25	2,25	2,25	2,25
New ROE	39,96%	38,25%	47%	44,56%
Old ROE	29,93%	27,84%	32,41%	30,30%
Increment	33,52%	37,40%	44,99%	47,08%

As it can be observed, the company achieves to increase its profitability a lot if it increments the leverage ratio considering the turnover ratio and the margin ratio constant. The greatest increment in the ROE comes from the last year, and the company manages to get 47% more in its profitability, if the debt policy of the company changes.

- The cost of debt for Inditex is really insignificant (k). That makes sense because it is financed mainly by equities.

- Regarding the constant tax rate, we have observed that it tends to converge to the Global average and diverge from the Spanish average tax rate.

- The return on investment for the shareholders is lower than the growth rate of the company during the last four years.

ANNEX

The main subsidiaries are:

1.	BERSHKA HONG KONG LIMITED	HK
2.	BERSHKA JAPAN, K.K.	JP
3.	BERSHKA MACAU LTD	CL
4.	CHOOLET SA	ES
5.	**COMDITEL SA**	ES
6.	**CONFECCIONES FIOS SA**	ES
7.	**CONFECCIONES GOA SA**	ES
8.	CORPORACION DE SERVICIOS XXI S.A. DE C.V.	MX
9.	**DENLLO SAU**	ES
10.	**FASHION LOGISTICS FORWARDERS SA**	ES
11.	FASHION RETAIL ESPAÑA SA.	ES
12.	G. ZARA URUGUAY SA	UY
13.	**GLENCARE SA**	ES
14.	**GOA-INVEST SA**	ES
15.	**HAMPTON SA**	ES
16.	INDITEX COGENERACION AIE	ES
17.	INDITEX LOGISTICA SA	ES
18.	INDITEX VASTOGOED KOREA CO.,LTD.	KR
19.	INVERCARPRO SA	ES
20.	ITX FASHION RETAIL SOUTH AFRICA	ZA
21.	ITX HOLDING SA	CH
22.	**KIDDY'S CLASS ESPANA SA**	ES
23.	MASSIMO DUTTI COMMERCIAL SHANGHAI CO LTD	CN
24.	MASSIMO DUTTI HONG KONG	HK
25.	MASSIMO DUTTI MACAU LTD	CN
26.	**NIKOLE SA**	ES

27.	OYSHO BULGARIA LTD	BG
28.	OYSHO DISENO SL	ES
29.	**OYSHO ESPANA SA**	ES
30.	OYSHO LOGISTICA SA	ES
31.	**OYSHO MEXICO SA DE CV**	MX
32.	**PLATAFORMA EUROPA SA**	ES
33.	**PLATAFORMA LOGISTICA LEON SA**	ES
34.	**PLATAFORMA LOGISTICA MECO SA**	ES
35.	**PULL & BEAR HONG KONG LTD**	HK
36.	**ROBUSTAE SGPS UNIP LDA**	PT
37.	**SAMLOR SA**	ES
38.	**SCI VASTGOED FERREOL P03302**	FR
39.	**SCI VASTGOED FRANCE P03301**	FR
40.	**SCI VASTGOED GENERAL LECLERC P03303**	FR
41.	**SCI VASTGOED NANCY P03304**	FR
42.	**STEAR SA**	ES
43.	**STRADIVARIUS HELLAS S.A.**	GR
44.	**STRADIVARIUS HONG KONG LTD**	HK
45.	**STRADIVARIUS KOREA LTD**	KR
46.	**STRADIVARIUS MACAU LTD**	MO
47.	STRADIVARIUS UKRAINA OOO	UA
48.	**TORDERA LOGISTICA SL**	ES
49.	**TRISKO SA**	ES
50.	**UTERQUE ESPANA SA**	ES
51.	UTERQUE HELLAS S.A.	GR
52.	**UTERQUE HONG KONG LTD**	HK
53.	**UTERQUE SA**	ES
54.	**VASTGOED ASIA LTD.**	CN
55.	**Z-FASHION FINLAND OY**	FI
56.	**ZA CLOTHING IRELAND LIMITED**	IE

57.	ZARA ARGENTINA S.A.	AR
58.	ZARA ASIA LTD.	CN
59.	**ZARA BELGIQUE - ZARA BELGIE**	BE
60.	ZARA BRASIL LTDA.	BR
61.	**ZARA BUCURESTI SRL**	RO
62.	ZARA BULGARIA LTD	BG
63.	ZARA CANADA INC	CA
64.	**ZARA CESKA REPUBLIKA, S.R.O.**	CZ
65.	ZARA CHILE, SA	CL
66.	ZARA CIS LTD ZAO	RU
67.	ZARA COMMERCIAL (BEIJING) CO LTD	CN
68.	ZARA COMMERCIAL (SHANGHAI) CO LTD	CN
69.	ZARA CROATIA LTD	HR
70.	ZARA DANMARK A/S	DK
71.	**ZARA DEUTSCHLAND GMBH**	DE
72.	**ZARA DISENO SL**	ES
73.	**ZARA ESPANA SA**	ES
74.	ZARA FINANCIEN BV IRELAND	IE
75.	ZARA FRANCE	FR
76.	ZARA HOME BELGIQUE - ZARA HOME BELGIE	BE
77.	ZARA HOME CESKA REPUBLIKA, S.R.O. V LIKVIDACI	CZ
78.	ZARA HOME DISENO SL	ES
79.	**ZARA HOME FRANCE**	FR
80.	ZARA HOME GIYIM ITHALAT IHCARAT VE TICARET LTD	TR
81.	**ZARA HOME HELLAS S.A.**	GR
82.	**ZARA HUNGARY TRADING LIMITED LIABILITY COMPANY ZARA LTD.**	HU
83.	ZARA IMMOBILIARE ITALIA SRL	IT
84.	**ZARA ITALIA SOCIETA A RESPONSABILITA LIMITATA IN FORMA ABBREVIATA ZARA ITALIA SRL**	IT
85.	ZARA JAPAN CORP.	JP

86.	**ZARA LOGISTICA SA**	ES
87.	ZARA LUXEMBOURG SA	LU
88.	**ZARA MACAU LTD**	CN
89.	**ZARA MONACO SAM**	MC
90.	**ZARA NEDERLAND B.V.**	NL
91.	**ZARA NORGE AS**	NO
92.	**ZARA OESTERREICH CLOTHING GMBH**	AT
93.	**ZARA POLSKA SP. Z O.O.**	PL
94.	**ZARA PUERTO RICO INC**	US
95.	**ZARA RETAIL KOREA CO.,LTD.**	KR
96.	**ZARA RUSIA**	RU
97.	**ZARA S.A.**	AR
98.	ZARA SA	ES
99.	**ZARA SLOVAKIA SRO**	SK
100.	**ZARA SUISSE SARL**	CH