

**REPORT OF THE DIRECTORS RELATING TO ITEM 4 OF THE AGENDA OF THE ORDINARY
SHAREHOLDERS MEETING CONVENED FOR 10TH APRIL 2008 ON FIRST CALL AND FOR
11TH APRIL 2008 ON SECOND CALL**

Item of the Agenda:

To delegate authority to the Board of Directors, with the faculty to substitute the faculties it receives from the Shareholders' Meeting, so that, within the term of five years of the date of approval, it may proceed on one or several occasions to resolve to increase the Company's share capital, up to a maximum of fifty per cent (50%) of the share capital at the time of the authorization, through cash contributions, with or without a premium, all the foregoing under the provisions of article 153 1.b) and concordant articles of the Companies Act.

Directors' Report and proposed resolution:

**REPORT SUBMITTED BY THE DIRECTORS OF DOGI INTERNATIONAL FABRICS, S.A. IN
RELATION TO THE PROPOSED RESOLUTION TO INCREASE THE SHARE CAPITAL
THROUGH CASH CONTRIBUTIONS REFERRED TO IN ITEM 4 OF THE AGENDA OF THE
GENERAL SHAREHOLDERS' MEETING CONVENED FOR 10TH APRIL ON FIRST CALL AND
11TH APRIL ON SECOND CALL**

1.- Object of the report

In accordance with the provisions of articles 144.1.a), 152.1 153.1 and concordant articles of the Companies Act, the Board of Directors issues this report justifying the proposal that will be submitted to the General Shareholders' Meeting to be convened for 9th April 2008, on first call, or 10th April 2008, under item 4 of the Agenda, in relation to the granting of new faculties to the Board to increase the share capital under the provisions of article 153.1.b) of the Companies Act.

2.- Justification of the Proposal:

The proposal submitted to the Meeting in this case is based on the opportunity of giving the Board an instrument authorized by ruling company law and which, at any time and without the need to convene and hold a Shareholders' Meeting beforehand, allows it to resolve on capital increases, within the limits and subject to the terms and conditions decided by the Shareholders' Meeting, as are deemed appropriate for the corporate interests. The dynamics of any trading company and, in particular, of a large company, require that their management and governing bodies have at their disposal at all times the most suitable instruments for providing a suitable response to the needs demanded by the company in each case, in light of market circumstances. Such needs may include the need to provide the Company with new funds, which will normally be done by making new contributions in capital.

3.- Proposed resolution:

The following is proposed for the approval of the shareholders:

To empower the Board of Directors, as amply as may be necessary in law, so that, in accordance with the provisions of article 153.1.b) of the Companies Act, it may increase the Company's share capital, on one or more occasions and at any time, within a maximum term of five years as of the date of passing this resolution, by the maximum amount of eighteen million ninety-eight thousand seven hundred and sixty euros (18,098,760.-€), a figure which is less than half of the share capital

at the time of this authorization, with or without a premium, the consideration for the new shares issued to consist of cash contributions.

The Board of Directors may (i) establish the terms and conditions of the capital increase and the characteristics of the shares, (ii) offer freely the new shares not subscribed within the preferential subscription term or terms, (iii) establish that, in the event of incomplete subscription, the capital will be increased only by the amount of the subscriptions made and (iv) modify article 5 of the Company's Articles of Association, concerning the share capital.

When appropriate, the Company will apply for the new shares issued by virtue of this authorization to be accepted for trading on secondary markets, official or not official, organized or not, national or foreign, and the Board of Directors is also empowered, in that case, to carry out the steps and take any action necessary with the competent bodies of the different national or foreign securities markets for such acceptance for trading. The Board of Directors is also authorized to delegate to the Managing Director and the Secretary of the Board all or part of the faculties hereby conferred on the Board.

El Masnou (Barcelona) ____ February 2008

The Chairman
Mr Josep Domenech Giménez

The Secretary
Mr Antonio Peñarroja Castell