

**REPORT OF THE BOARD OF DIRECTORS OF DOGI INTERNATIONAL FABRICS, S.A. RELATING TO THE PROPOSED MODIFICATION OF ARTICLES 23 AND 27 OF THE COMPANY'S ARTICLES OF ASSOCIATION AND THE CONSOLIDATION OF THE ARTICLES IN ONE SINGLE DOCUMENT, IN THE ANNUAL GENERAL SHAREHOLDERS' MEETING TO BE HELD ON 23 MAY 2007 ON THE FIRST CALL AND ON 24 MAY 2007 ON THE SECOND CALL.**

**1. Reason for the proposed modifications.**

In accordance with article 144 of the Spanish Company Law, the Board of Directors have prepared this Report explaining the reasons for the proposed modifications which will be submitted to the Shareholders' Meeting.

**Firstly.**- In order to facilitate maximum efficiency, it is proposed to reduce the number of the members of the Board of Directors to 10 members and thereby modifying article 23 of the Articles of Association, as follows:

**"Article 23.- APPOINTMENT OF BOARD MEMBER.-** The Board of Directors will be composed of a minimum of three and a maximum of 10 members, who could be either individuals or legal entities.

The members of the Board of Directors are appointed in the General Shareholders' meeting. The election of the members of the Board of Directors will be carried out in accordance with the Law.. It is not necessary to be a Shareholder to become a Member of the Board.

The Board of Directors can appoint an Executive Board, as well as one or more Managing Directors.

The appointment of Directors will take effect from the moment the post is accepted and must be presented for inscription with the Mercantile registry, within 10 days after acceptance, expressly indicating the names, surnames, marital status and age, also indicating date of birth, residence and circumstances of the identification documents of the designated people, likewise any other circumstance the law may request.

**Secondly.**- In order to avoid a tie within the Board of Directors, it is thereby proposed to grant the Chairman a casting vote in the Board. Consequently, article 27 will be modified as follows:

**"ARTICLE 27<sup>o</sup>.- THE FUNCTIONING OF THE BOARD.-** The Board of Directors will meet when the Chairman decides or when any one of its Directors may request it and necessarily being within the first three months, in accordance with article 171 of the (Spanish) Company Law and article 35 of the Articles of Association.

The meetings can be held at the Company's residence or in another venue and the Chairman of the Board of Directors will be responsible for the announcement.

The Directors can delegate in the Board of Directors' meetings their representation to another Director. The representation will be made by means of a letter addressed to the Chairman.

In the event of a tie, Chairman will have the casting vote.

**Thirdly.**- Due to the various modifications in the Company's Articles of Association, it is proposed to consolidate the Articles of Association into one single document.

El Masnou, 17th April 2007

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