

EXTRACT OF THE FINANCIAL INFORMATION SUBMITTED TO THE COMISIÓN NACIONAL DEL MERCADO DE VALORES. THIS IS A FREE TRANSLATION OF THE ORIGINAL IN SPANISH. IN CASE OF DISCREPANCY, THE SPANISH VERSION PREVAILS.

QUARTERLY FINANCIAL INFORMATION

QUARTER 1 YEAR 2007

THE COMPANY:

**DOGI INTERNATIONAL FABRICS, S.A.**

REGISTERED OFFICE.

**CALLE PINTOR DOMÉNECH FARRÉ, 13, EL MASNOU, 08320 BARCELONA**

TAX ID

A08276651

A) Quarterly results

	Parent Company		Consolidated (IFRS)	
	Current period	Prior period	Current period	Prior period
Net turnover	17.292	17.392	37.115	36.157
Results before taxation/results before taxation of continuing activities	-2.958	-1.206	-2.815	-1.036
Results of continuing activities			-2.815	-749
Result for the period	-2.958	-904	-3.122	-749
Results attributable to minority interests			-3	4
Results attributable to the parent company			-3.125	-745
Share capital	36.197	13.691		
Average n° of employees	584	581	1.886	1.850

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## B) BUSINESS DEVELOPMENT

### Net Turnover

The Group's Net turnover for the first quarter of 2007 amount to 37,1 million euros, which represents a 2,7 % increase over the same period last year. Sales increases were recorded in China (+20%) and in Germany (+10%), whilst the other mills have experienced a slight decline in sales compared with the same period in 2006 (Thailand -8%, Filipinas -10% and Spain -2,3%).

### EBIT (Operating results)

In spite of having maintained the level of turnover, operating results has been negative principally due to the business' evolution in Spain. The Parent Company reported operating losses amounting to 2,1 million euros in the first quarter and this is due to the following: decline in average selling prices due to the commoditisation of the market; difficulties in the implementation of sales price increases necessary to offset the effect of increasing production costs and the sales of excess stocks with negative margins.

The effects of the cost reduction arising from the Statutory Redundancy procedures which was agreed with the Works' Council in March 2007 have not yet been reflected in the 1st quarter results since the majority of the employees made redundant will not leave the Company until May 2007. The Statutory Redundancy Procedures affected 100 jobs in Spain.

### Financial costs

In spite of the increasing interest rates, finance costs were lower than in 2006 as a result of the cancellation of the Syndicate Loan in February 2006 and the conversion of the convertible debentures in May 2006. Finance expenses in the 1st quarter of 2007 amount to 837 thousand euros compared with 1,637 thousand euros in 2006.

### Non-recurring costs (Exceptional items)

In the 1st Q of 2006, the Group recorded 0,5 million euros exceptional income arising from the sale of a property in China (not used in the normal course of business). In the 1st quarter of 2007 exceptional expenses amount to 58 thousand euros. The estimated costs of the Statutory Redundancy Procedures mentioned above have already been accrued in 2006.

### Taxation

In the 1st Q of 2006, the Parent Company recorded deferred tax assets amounting to 300 thousand euros being tax loss carried forward to be offset against future profits which was reversed at the year end (2006). On the grounds of prudence no such deferred tax assets have been recognised in 2007 since it is unlikely that the Parent Company will report profits during 2007.

### Acquisitions

The acquisition of the american company Elastic Fabrics of America (EFA) was formalised in April and consequently the results of this subsidiary will be incorporated as from this month.

Dogi International Fabrics, S.A. contributed 1,6 million USD which corresponds to 33,33% of the shares of DOGIEFA Private Ltd (Sri Lanka). This company is at its start-up stage and has not yet started production nor sales. Operations are expected to commence as from September 2007.

Dogi International Fabrics - 31 MARCH 2007

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### III. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

#### **Parent Company (Dogi International Fabrics, S.A.)**

The bases of presentation and the accounting policies used in the preparation of the financial statements for the first quarter of 2007 are the same as those applied in the statutory annual accounts for the financial year 2006, i.e., in accordance with generally accepted accounting principles in Spain.

#### **Consolidated accounts (Dogi International Fabrics, S.A and Subsidiaries)**

The bases of presentation and the accounting policies used in the preparation of the consolidated financial statements for the 1st quarter of 2007 are the same as those applied in the consolidated statutory annual accounts for the financial year 2006, prepared in accordance with International Financial Reporting Standards.

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#### **D) DIVIDEND DISTRIBUTION**

Not applicable

#### **E) SIGNIFICANT EVENTS**

A summary of the significant events during the 1st quarter of 2007 is set out below:

1. In January 2007, Dogi International Fabrics, S.A. contributed 1.6 million USD, corresponding to its 33% stake in DOGIEFA, the Joint Venture in Sri Lanka, and therefore that company will be included in the consolidation perimeter as of 2007.

2. On 10 January 2007 the Ordinary Conversion Period of the Convertible Debentures issued on 31 January 2006 ended. During this Ordinary Conversion Period, the conversion of 287,345 was requested, and therefore 281,653 new shares were issued to cover the conversion. The amount of the capital increase was 168,991.80 euros and the share premium amount to 692,866.38 euros.

3. In accordance with the authorization granted by the Extraordinary General Shareholders' Meeting held on 29 January 2007, the Parent Company has proceeded to increase capital by 9,081,295.80 euros through the issue and placing of 15,135,493 ordinary shares with a par value 0.60 each, at a premium of 2 euros per share, which represents a total premium of 30,270,986 euros. The funds obtained with this capital increase will be used to finance the Group's new investments in Spain and Asia (transfer to the new factory in El Masnou, "Project Dogi II", start up of the Joint Venture in Sri Lanka, "DogiEFA", etc.), and to finance a part of the acquisition of the assets and certain liabilities of Elastic Fabrics of America (EFA), a US company engaged in the manufacture of elastic fibre.

[Accordingly, as at 31 March 2007, the share capital of the Parent Company amount to 36,197,527.20 euros represented by 60,329,212 fully subscribed and paid-up bearer shares with a par value of 0.60 euros each. These shares have the same voting and economic rights.

4. In April 2007 Dogi International Fabrics, S.A. and the members of EFA signed the asset purchase agreement. This acquisition has been structured through the incorporation by Dogi International Fabrics, S.A. of a new company in the state of North Carolina (USA) called EFA, Inc., which acquired the entire assets and some liabilities of EFA. The total cost is 34 million USD (approximately 26 million euros). Of the total price, a part was paid in cash (24 million euros), another part in shares of Dogi International Fabrics, S.A. (1.1 million euros) and another part is a payment deferred until 2010 and the amount of which is associated to achievement of a certain EBITDA (Earn-out). To date it is estimated that the aforesaid payment will total 0.5 million euros. The operation has been financed partially by a local bank in the USA which has granted a mortgage loan to EFA, Inc. equivalent to 8 million euros. This loan is secured by the assets of EFA, Inc., with no recourse whatsoever to Dogi. The rest of the funds necessary for the purchase came from the share issue referred to above.

The fair value of the assets and liabilities of EFA acquired on the date of the agreement is estimated at 19 million USD, and therefore goodwill will be generated in EFA, Inc. of 15 million USD (equivalent to 11 million euros). The expenses related to the acquisition up to the date of signature of the contract have been estimated at 720 thousand euros, which will be recorded as Goodwill. EFA Inc. will be included in the consolidation perimeter as from April 2007.