

Dogi International Fabrics - 30 June 2007

*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.*

**HALF YEAR (SEMESTRAL) INFORMATION**

<b>SEMESTER</b>	<b>1</b>	<b>YEAR</b>	<b>2007</b>
THE COMPANY:			
<b>DOGI INTERNATIONAL FABRICS, S.A.</b>			
REGISTERED OFFICE.			TAX ID
<b>CALLE PINTOR DOMÉNECH FARRÉ, 13, EL MASNOU, 08320 BARCELONA</b>			A08276651

Dogi International Fabrics - Six months period ended 30 June 2007

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## II. CHANGES IN THE COMPANIES THAT FORM PART OF THE CONSOLIDATED GROUP

The following subsidiaries have been included in the consolidated financial statements:

- EFA, Inc, a corporation domiciled in North Carolina, USA is included in the group accounts using the global consolidation method.
- DOGIEFA Pvt Ltd., a limited company domiciled in Thulhiriya, Sri Lanka. Dogi International Fabrics, S.A. 's shareholding of 50% is consolidated using the proportional method since the company is jointly managed by the Group with another un-related company.

Both EFA, Inc and DogiEFA PVT Ltd are engaged in the manufacture and sale of elastic fabrics.

Dogi International Fabrics - Six months period ended 30 June 2007

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### III. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Dogi International Fabrics, S.A. - Parent Company accounts

The Parent Company's financial statements have been prepared on the same bases as those used in the annual accounts for the year ended 31 December 2006, i.e., in accordance with generally accepted accounting principles in Spain.

Consolidated annual accounts

The attached consolidated financial information has been prepared on the same bases as those used in the annual group accounts for the year ended 31 December 2006, in accordance with International Financial Reporting standards.

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#### IV. BALANCE SHEET OF THE PARENT COMPANY

In thousands of Euros

ASSETS		Current year	Prior year
<b>A) UNCALLED SHARE CAPITAL</b>			
I.	Formation costs	6.408	5.279
II.	Intangible assets	2.414	2.557
II.1	Assets held under finance lease	91	0
II.2	Other intangible assets	2.323	2.557
III.	Tangible fixed assets	14.765	18.206
IV.	Long-term investments	91.112	71.200
V.	Long-term Treasury stock	1.015	203
VI.	Long-term accounts receivables		
<b>B) TOTAL FIXED AND NON-CURRENT ASSETS</b>		115.713	97.445
<b>C) DEFERRED EXPENSES</b>		354	459
I.	Called up share capital not paid	0	
II.	Inventories	18.305	22.711
III.	Accounts receivable-	22.443	28.043
IV.	Short-term investments	8.184	5.515
V.	Short-term treasury stocks	0	
VI.	Cash	568	206
VII.	Prepayments and accrued income	320	1.090
<b>D) CURRENT ASSETS</b>		49.821	57.565
<b>TOTAL ASSETS</b>		165.889	155.469

LIABILITIES		Current Year	Ejercicio anterior
I.	Share capital	36.198	26.947
II.	Reserves	143.896	112.894
III.	Retained earnings	-49.686	-26.935
IV.	Profit / (loss) for the year	-13.760	-4.217
V.	Interim Dividend		
<b>A) SHAREHOLDERS' FUNDS</b>		116.648	108.689
<b>B) DEFERRED INCOME</b>		20	88
<b>C) PROVISIONS FOR LIABILITIES AND CHARGES</b>		2.960	2.526
I.	Debenture loans and other marketable securities	1.005	1.867
II.	Bank Loans	1.023	
III.	Amounts owed to Group companies	1	
IV.	Long-term trade payables		
V.	Other payables	1.834	2.941
<b>D) LONG-TERM DEBT</b>		3.863	4.808
I.	Debenture loans and other marketable securities	0	
II.	Bank Loans	21.212	24.174
III.	Payable to Group companies	1.020	621
IV.	Trade accounts payable	9.159	11.252
V.	Other short-term debts	5.998	3.311
VI.	Accruals	0	
<b>E) SHORT-TERM DEBTS</b>		37.388	39.358
<b>F) PROVISIONS FOR LIABILITIES AND CHARGES SH</b>		5.010	0
<b>TOTAL LIABILITIES</b>		165.889	155.469

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### V. PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

In thousands of Euros

	Current Year		Prior Year		% var
	Amount	%	Amount	%	
+ Net Turnover	31.248	100,00%	33.990	100,00%	-8%
+ Other Income	1.565	5,01%	1.614	4,75%	-3%
+/- Variation in Finished Goods and Work in progress Inventories	44	0,14%	1.810	5,33%	-98%
<b>= Total Value of Goods Produced</b>	<b>32.856</b>	<b>105,15%</b>	<b>37.414</b>	<b>110,07%</b>	<b>-12%</b>
- Net Purchases	-12.883	-41,23%	-14.443	-42,49%	-11%
+/- Variation in Supplies, raw materials inventories	-1.253	-4,01%	-4	-0,01%	
- Other external costs and operating expenses	-10.724	-34,32%	-11.742	-34,55%	-9%
<b>= Adjusted value added of goods produced</b>	<b>7.996</b>	<b>25,59%</b>	<b>11.225</b>	<b>33,02%</b>	<b>-29%</b>
+/- Other income and expenses	0	0,00%	0	0,00%	
- Personnel/Staff costs	-15.650	-50,08%	-10.486	-30,85%	49%
<b>= Gross Operating Profit/ (Loss)</b>	<b>-7.654</b>	<b>-24,50%</b>	<b>739</b>	<b>2,17%</b>	<b>-1136%</b>
-Depreciation expense	-2.242	-7,17%	-2.469	-7,26%	-9%
-Charges to the Reversion Fund	0	0,00%	0	0,00%	
+/- Variation in Trade provisions	-724	-2,32%	-336	-0,99%	115%
<b>= Net Operating Profit / (Loss)</b>	<b>-10.620</b>	<b>-33,99%</b>	<b>-2.066</b>	<b>-6,08%</b>	<b>414%</b>
+ Financial income	1.433	4,59%	2.539	7,47%	-44%
- Financial expenses	-3.009	-9,63%	-5.674	-16,69%	-47%
+ Interest and exchange differences capitalised	0	0,00%	0	0,00%	
+/- Provision for financial investments	-1.486	-4,76%	0	0,00%	
<b>= Ordinary income / (loss)</b>	<b>-13.683</b>	<b>-43,79%</b>	<b>-5.201</b>	<b>-15,30%</b>	<b>163%</b>
+/- Results from sale of assets	289	0,92%	22	0,06%	1213%
+/- Variation in controlling portfolio allowances	0	0,00%	0	0,00%	
+/- Results arising from Treasury stock transactions	-177	-0,57%	0	0,00%	
+/- Prior year results	-167	-0,54%	-432	-1,27%	-61%
+/- Other extraordinary items	-22	-0,07%	-11	-0,03%	100%
<b>= Profit / (loss) before taxes</b>	<b>-13.760</b>	<b>-44,03%</b>	<b>-5.622</b>	<b>-16,54%</b>	<b>145%</b>
+/- Corporate income tax and other tax charge	0	0,00%	1.405	4,13%	-100%
<b>= Profit / (loss) for the period</b>	<b>-13.760</b>	<b>-44,03%</b>	<b>-4.217</b>	<b>-12,41%</b>	<b>226%</b>

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#### IV. CONSOLIDATED BALANCE SHEET (International Financial Reporting Standards)

In thousands of Euros

<b>ASSETS</b>		<b>Current year</b>	<b>Prior year</b>
Non-current assets			
Plant, property and equipment		74.001	67.597
Goodwill		11.636	0
Intangible assets		3.600	3.286
Financial assets, non-current		0	2.960
Investments accounted for using equity method			0
Deferred Tax assets		12.374	15.394
Other non current assets		566	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>102.177</b>	<b>89.237</b>
Current assets			
Inventories		40.132	40.066
Accounts receivable-		38.465	36.480
Financial assets - current		8.501	5.743
Deferred tax assets - short- term		1.149	657
Other current assets		1.477	2.070
Cash and cash equivalents		2.833	3.538
<b>SUB-TOTAL CURRENT ASSETS</b>		<b>92.557</b>	<b>88.554</b>
Available for sale assets			
<b>TOTAL CURRENT ASSETS</b>		<b>92.557</b>	<b>88.554</b>
<b>TOTAL ASSETS</b>		<b>194.733</b>	<b>177.791</b>

<b>LIABILITIES</b>		<b>Current year</b>	<b>Prior year</b>
Share capital		36.198	26.947
Other reserves		126.273	97.043
Retained earnings (accumulated losses)		-32.981	-4.342
Treasury shares		-2.568	-203
Cummulative Translation Differences		-18.037	-16.704
Other fair value adjustments		-444	-984
			0
<b>Shareholders' funds attributable to the Parent Company</b>		<b>108.441</b>	<b>101.757</b>
MINORITY INTERESTS		56	41
<b>Shareholders' funds</b>		<b>108.497</b>	<b>101.798</b>
Long-term liabilities			
Debenture loans and other marketable securities		955	1.703
Bank Loans		16.137	5.578
Other financial liabilities		1.726	2.630
Deferred tax liability		835	1.620
Provisions for Liabilities & Charges Short term		1.015	939
Other non-current liabilities		2.353	5.396
<b>Non-current liabilities</b>		<b>23.020</b>	<b>17.866</b>
Current liabilities			
Debenture loans and other marketable securities		0	0
Bank Loans		25.448	27.187
Trade accounts payable		23.478	23.184
Other financial liabilities		0	0
Provisions		5.176	2
Current tax payables		921	954
Other current liabilities		8.192	6.800
<b>Sub-total Current liabilities</b>		<b>63.215</b>	<b>58.127</b>
Liabilities associated with non current assets available for sale			0
<b>TOTAL CURRENT LIABILITIES</b>		<b>63.215</b>	<b>58.127</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>194.733</b>	<b>177.791</b>

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## V. CONSOLIDATED PROFIT AND LOSS ACCOUNT (International Financial Reporting Standards)

In thousands of Euros

	Current Year		Prior Year	
	Amount	%	Amount	%
+ Net Turnover	76.261	100,00%	70.264	100,00%
+ Other Income	929	1,22%	777	1,11%
+/- Variation in Finished Goods and Work in progress Inventories	-757	-0,99%	2.717	3,87%
- Net Purchases	-32.058	-42,04%	-32.379	-46,08%
-Staff costs	-27.100	-35,54%	-19.176	-27,29%
-Depreciation expense	-4.420	-5,80%	-4.658	-6,63%
-Other expenses	-24.213	-31,75%	-19.092	-27,17%
<b>= Gross Operating Profit/ (Loss)</b>	<b>-11.358</b>	<b>-14,89%</b>	<b>-1.547</b>	<b>-2,20%</b>
+ Financial income	886	1,16%	1.024	1,46%
- Financial expenses	-2.399	-3,15%	-3.892	-5,54%
+/-Net exchange differences	42	0,06%	-204	-0,29%
+/-Gain/losses of stating financial instruments at fair value	197	0,26%	306	0,44%
+/-Gain/losses of stating non- financial assets at fair value		0,00%		0,00%
+/-Gain/losses arising from evaluation of impairment of assets rules		0,00%		0,00%
+/-Share of profit/loss in investments accounted for using the equity method		0,00%		0,00%
+/-Gain/losses arising from sale of non current assets or valuation of non current assets available for sale not included in discontinued activities		0,00%	355	0,51%
+/-Other gains or losses (net)	-208	-0,27%	118	0,17%
<b>= Profit/(loss) before taxation of continuing activities</b>	<b>-12.840</b>	<b>-16,84%</b>	<b>-3.840</b>	<b>-5,47%</b>
Taxation	-741	-0,97%	863	1,23%
<b>= Profit/(loss) of continuing activities</b>	<b>-13.582</b>	<b>-17,81%</b>	<b>-2.977</b>	<b>-4,24%</b>
+/-After tax results of discontinued activities	0	0,00%	0	0,00%
<b>= Profit/(loss) for the period</b>	<b>-13.582</b>	<b>-17,81%</b>	<b>-2.977</b>	<b>-4,24%</b>
+/- Results attributable to minority interests	-19	-0,02%	1	0,00%
<b>= Profit / (loss) attributable to the Parent Company</b>	<b>-13.601</b>	<b>-17,83%</b>	<b>-2.976</b>	<b>-4,24%</b>

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<b>VI. DISTRIBUTION OF NET TURNOVER</b>				
	<b>Parent company</b>		<b>Consolidated</b>	
	<b>Current year</b>	<b>Prior Year</b>	<b>Current year</b>	<b>Prior Year</b>
Intimate wear	20.806	25.186	62.301	58.778
Swim wear and sports wear	5.610	6.245	7.744	8.245
Pret-a porter	4.708	2.549	4.610	2.552
Services and other sales	124	10	1.606	689
<b>Net turnover</b>	<b>31.248</b>	<b>33.990</b>	<b>76.261</b>	<b>70.264</b>
Internal sales	12.949	11.721	13.487	12.242
Export : European Economic Community	10.495	12.450	25.879	26.093
OMC member states	2.804	3.782	9.422	5.814
Other countries	5.000	6.037	27.473	26.115
	0	0	0	0

<b>VII. AVERAGE NUMBER OF EMPLOYEES</b>				
	<b>Parent company</b>		<b>Consolidated</b>	
	<b>Current year</b>	<b>Prior Year</b>	<b>Current year</b>	<b>Prior Year</b>
Total persons employed	543	588	2.147	1.835

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## **VIII. BUSINESS DEVELOPMENT**

**Net turnover:** Consolidated net turnover for the six months period ended 30 June 2007 was 76,2 million euros, representing a 8,5% increase over the same period last year.

**Net sales is distributed as follows:** Europe 65%, Asia 25% and America, 10%. During the same period in 2006, Europe, Asia and America accounted for 72%, 28% y 0% of net turnover, respectively. Sales generated by the American subsidiary EFA, Inc. amount to 7,2 million euros, amount which corresponds to sales since the month of April, the month in which the company was acquired.

**Operating results:** The recurring operating loss amounts to 6,3 million euros, to which the provision for redundancy payments amounting to 5 million euros has to be added. The 5 million provision relates to Statutory Redundancy Procedures in the Spanish plant, affecting around 170 employees and will become effective in the last quarter of this year.

The Group's operating results reflects the business situation in Spain and is attributed to the increase in raw material costs and the late implementation of increase in selling prices which became effective only in July 2007, the month during which this increase has had a notable effect.

Operating expenses have improved due to the savings efficiency plans implemented during the second half of 2006. The savings generated by the Statutory Redundancy Procedures in Spain in the first quarter of 2007, which affected 99 employees, has been reflected in the results as from the month of June 2007.

The Company's management is implementing a plan to re-direct the business in Spain, based on the following actions:

- Adjustment of the production capacity to profitable levels, from the current 9,5 million metres to 5,8 metres. This will mean the transfer of 1,4 million metres of production to the other mills, the subcontracting of 0,7 million metres and the discontinuance of around 1,7 million metres on the grounds of non-profitability;
- Decrease in the complexity and concentration of efforts on target/profitable customers;
- Decrease in number of employees (Redundancy affecting 170, as mentioned above).

The new production plant in Spain ("Dogi II") will unite the 3 production centres in one single centre of excellence. The concentration at Dogi II will mean the consolidation and the optimisation of production, improved efficiency and quality, and reduced operating costs.

The Joint Venture in Sri Lanka will begin production in September 2007 and EFA, Inc. included in the consolidated financial statements as from April 2007, has contributed positively to the operating results by generating operating income amounting to 642 thousand euros.

**Financial expense:** In spite of the increasing interest rates, finance costs are less than in 2006 due to the fact that in 2007, there had been no costs of cancellation of the Syndicate Bank loan (February 2006) and the interest payable to the debenture holders have reduced significantly after the conversion of the debentures into company's shares carried out up to January 2007.

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#### **VIII. BUSINESS DEVELOPMENT**

**Other gains/losses:** In 2006, exceptional income amounting to 0,5 million euros arose from the sale of unused assets in China. During the first half of 2007, similar exceptional items amount to 0,2 million net loss.

**Tax charge:** In 2006, the Parent company accounted for deferred tax assets arising from tax losses to be offset against future profits, amounting to 1,4 million euros, which was reversed in the last quarter of 2006. The latest forecasts indicate that the Parent company is unlikely to generate income this year and consequently, no tax loss carried forwards have been capitalised.

The consolidated balance sheet at 30 June 2007 include EFA Inc. (100%) and DogiEFA Pvt (50%). EFA, Inc., domiciled in North Carolina (USA) is a newly formed company which acquired the assets and certain liabilities of EFA LLC for 27 million euros. The fair value of the net assets acquired amount to 16 million euros, generating Goodwill in EFA, Inc amounting to 11 million euros. Additional expenses related to the acquisition amounting to 0,7 million euros have been accounted for as Goodwill.

DogiEFA Pvt Ltd, is the joint venture established in 2006 and is based in Sri Lanka. In the first half of 2007 cash contributions amounting to 2,5 million euros have been made by Dogi International Fabrics, S.A., representing its 50% stake in the joint venture. Costs related to the setting up of the joint venture amounting to 0,1 million euros has been accounted for as Goodwill.

As at 30 June 2007, Dogi International Fabrics, S.A. has Own shares (Treasury stocks) totaling 740.500 shares at a total acquisition cost of 2,5 million euros which has been deducted from Net shareholders' funds on the same date.

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### XIII. Significant events

A summary of the significant events during the 1st quarter of 2007 and which have been reported to the CNMV is set out below:

1. 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.

2. 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 fabrics.

Accordingly, as at 30 June 2007, the share capital of the Parent Company amounts 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.

The Company's articles of association have been amended to reflect the new share capital.

3. 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 27 million euros.

4. Dogi International Fabrics, S.A. contributed 2,3 million euros (3,2 million USD), corresponding to its 50% stake in DOGIEFA Private Ltd., the Joint Venture in Sri Lanka.

5. On 24h May 2007, the Company's Board of Directors appointed Mr. Carlos Jaime Miguel Schröder Quijano Chief Executive Officer. Mr Josep Domènech Giménez, significant shareholder will remain as Board Chairman.

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## XV RELATED PARTY TRANSACTIONS

### 1 Transactions with significant shareholders of the Company

Description of the transaction	Total/Individual Information	Current/Prior Yr	Amount in thousands of euros	Profit/loss	Short-term/Long-term
Operating lease agreements	T	C	855		0 ST
Remuneration	T	C	17		0 ST

### 2 Transactions with members of the Board of Directors and Executive Management

Description of the transaction	Total/Individual Information	Current/Prior Yr	Amount in thousands of euros	Profit/loss	Short-term/Long-term
Remuneration	T	C	830		0 ST
Loans	T	PY	140		0 LT

**3 Transactions with parties, group companies. N/A to Dogi since all group transactions are normal trading which are eliminated in the consolidation process.**

### 4 Transactions with other related parties

Description of the transaction	Total/Individual Information	Current/Prior Yr	Amount in thousands of euros	Profit/loss	Short-term/Long-term
Sales of goods	T	C	1173		0 CP
Purchases	T	C	536		0 CP