

Dogi International Fabrics

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

	SEMESTER	1	YEAR	2006
THE COMPANY:				
		DOGI INTERNATIONAL FABRICS, S.A.		
REGISTERED OFFICE.				TAX ID
		CALLE PINTOR DOMÉNECH FARRÉ, 13, EL MASNOU, 08320 BARCELONA		A08276651

Dogi International Fabrics -

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

There had been no changes in the companies that form part of the consolidated group since 31 December 2005.

Dogi International Fabrics - 31 December 2005

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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 2004, 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 2005, 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
A) UNCALLED SHARE CAPITAL			
I.	Formation costs	5.279	2.002
II.	Intangible assets	2.557	2.880
II.1	Assets held under finance lease	0	0
II.2	Other intangible assets	2.557	2.880
III.	Tangible fixed assets	18.206	17.621
IV.	Long-term investments	71.201	60.875
V.	Long-term Treasury stock	203	203
VI.	Long-term accounts receivables	0	0
B) TOTAL FIXED AND NON-CURRENT ASSETS		97.445	83.581
C) DEFERRED EXPENSES		459	1.643
I.	Called up share capital not paid	0	0
II.	Inventories	22.711	21.563
III.	Accounts receivable-	28.043	28.820
IV.	Short-term investments	5.515	26.651
V.	Short-term treasury stocks	0	0
VI.	Cash	206	168
VII.	Prepayments and accrued income	1.090	760
D) CURRENT ASSETS		57.565	77.962
TOTAL ASSETS		155.469	163.186

LIABILITIES		Current Year	Prior year
I.	Share capital	26.947	13.691
II.	Reserves	112.894	59.869
III.	Retained earnings	-26.935	-27.319
IV.	Profit / (loss) for the year	-4.217	-1.372
V.	Interim Dividend	0	0
A) SHAREHOLDERS' FUNDS		108.689	44.869
B) DEFERRED INCOME		88	40
C) PROVISIONS FOR LIABILITIES AND CHARGES		2.526	7.413
I.	Debenture loans and other marketable securities	1.867	0
II.	Bank Loans	0	50.022
III.	Amounts owed to Group companies	0	2.778
IV.	Long-term trade payables	0	0
V.	Other payables	2.941	14.757
D) LONG-TERM DEBT		4.808	67.557
I.	Debenture loans and other marketable securities	0	0
II.	Bank Loans	24.174	24.973
III.	Payable to Group companies	621	2.820
IV.	Trade accounts payable	11.252	10.953
V.	Other short-term debts	3.310	4.561
VI.	Accruals	0	0
E) SHORT-TERM DEBTS		39.357	43.307
F) PROVISIONS FOR LIABILITIES AND CHARGES SH		0	0
TOTAL LIABILITIES		155.469	163.186

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V. PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

In thousands of Euros

	Current Year		Prior Year	
	Amount	%	Amount	%
+ Net Turnover	33.990	100,00%	33.282	100,00%
+ Other Income	1.614	4,75%	1.744	5,24%
+/- Variation in Finished Goods and Work in progress Inventories	1.810	5,32%	572	1,72%
= Total Value of Goods Produced	37.413	110,07%	35.598	106,96%
- Net Purchases	-14.443	-42,49%	-14.521	-43,63%
+/- Variation in Supplies, raw materials inventories	-4	-0,01%	1.567	4,71%
- Other external costs and operating expenses	-11.742	-34,55%	-9.630	-28,93%
= Adjusted value added of goods produced	11.224	33,02%	13.014	39,10%
+/- Other income and expenses	0	0,00%	0	0,00%
- Personnel/Staff costs	-10.486	-30,85%	-9.789	-29,41%
= Gross Operating Profit/ (Loss)	738	2,17%	3.225	9,69%
-Depreciation expense	-2.469	-7,26%	-2.324	-6,98%
-Charges to the Reversion Fund	0	0,00%	0	0,00%
+/- Variation in Trade provisions	-336	-0,99%	-841	-2,53%
= Net Operating Profit / (Loss)	-2.067	-6,08%	60	0,18%
+ Financial income	2.539	7,47%	849	2,55%
- Financial expenses	-5.674	-16,69%	-2.602	-7,82%
+ Interest and exchange differences capitalised	0	0,00%	0	0,00%
+/- Provision for financial investments	0	0,00%	0	0,00%
= Ordinary income / (loss)	-5.201	-15,30%	-1.693	-5,09%
+/- Results from sale of assets	22	0,06%	106	0,32%
+/- Variation in controlling portfolio allowances	0	0,00%	0	0,00%
+/- Results arising from Treasury stock transactions	0	0,00%	2	0,01%
+/- Prior year results	-432	-1,27%	10	0,03%
+/- Other extraordinary items	-11	-0,03%	-36	-0,11%
= Profit / (loss) before taxes	-5.622	-16,54%	-1.611	-4,84%
+/- Corporate income tax and other tax charge	1.406	4,14%	239	0,72%
= Profit / (loss) for the period	-4.217	-12,41%	-1.372	-4,12%

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IV. CONSOLIDATED BALANCE SHEET (International Financial Reporting Standards)

In thousands of Euros

ASSETS		Current year	Prior year
Non-current assets			
Plant, property and equipment		67.597	60.429
Goodwill			
Intangible assets		3.286	4.891
Financial assets, non-current		2.960	1.607
Investments accounted for using equity method			0
Deferred Tax assets		15.394	12.867
Other non current assets		0	
TOTAL NON-CURRENT ASSETS		89.237	79.794
Current assets			
Inventories		40.066	39.423
Accounts receivable-		36.480	32.523
Financial assets - current		5.743	18.769
Deferred tax assets - short- term		656	871
Other current assets		2.070	1.461
Cash and cash equivalents		3.538	5.214
SUB-TOTAL CURRENT ASSETS		88.553	98.261
Available for sale assets			
TOTAL CURRENT ASSETS		88.553	98.261
TOTAL ASSETS		177.791	178.055

LIABILITIES

		Current Year	Prior year
Share capital		26.947	13.691
Other reserves		97.043	46.722
Retained earnings (accumulated losses)		-4.342	-3.435
Treasury shares		-203	-203
Cummulative Translation Differences		-16.704	-13.861
Other fair value adjustments		-984	-130
Shareholders' funds attributable to the Parent Company		101.757	42.784
MINORITY INTERESTS		41	758
Shareholders' funds		101.797	43.542
Long-term liabilities			
Debenture loans and other marketable securities		1.703	0
Bank Loans		5.578	49.595
Other financial liabilities		2.630	3.971
Deferred tax liability		1.620	884
Provisions for Liabilities & Charges Short term		939	1.013
Other non-current liabilities		5.396	15.988
Non-current liabilities		17.867	71.451
Current liabilities			
Debenture loans and other marketable securities		0	0
Bank Loans		27.187	28.033
Trade accounts payable		23.184	22.836
Other financial liabilities		0	429
Provisions		2	0
Current tax payables		954	2.011
Other current liabilities		6.800	9.752
Sub-total Current liabilities		58.126	63.061
Liabilities associated with non current assets available for sale			
TOTAL CURRENT LIABILITIES		58.126	63.061
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		177.791	178.055

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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	70.264	100,00%	70.254	100,00%
+ Other Income	777	1,11%	452	0,64%
+/- Variation in Finished Goods and Work in progress Inventories	2.717	3,87%	2.837	4,04%
- Net Purchases	-32.379	-46,08%	-30.560	-43,50%
-Staff costs	-19.176	-27,29%	-18.845	-26,82%
-Depreciation expense	-4.658	-6,63%	-4.300	-6,12%
-Other expenses	-19.091	-27,17%	-18.832	-26,81%
= Gross Operating Profit/ (Loss)	-1.547	-2,20%	1.006	1,43%
+ Financial income	1.024	1,46%	653	0,93%
- Financial expenses	-3.892	-5,54%	-3.360	-4,78%
+/-Net exchange differences	-204	-0,29%	489	0,70%
+/-Gain/losses of stating financial instruments at fair value	306	0,44%	-184	-0,26%
+/-Gain/losses of stating non- financial assets at fair value	0	0,00%	0	0,00%
+/-Gain/losses arising from evaluation of impairment of assets rules	0	0,00%	0	0,00%
+/-Share of profit/loss in investments accounted for using the equity method	0	0,00%	0	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	355	0,51%	0	0,00%
+/-Other gains or losses (net)	116	0,17%	-537	-0,76%
= Profit/(loss) before taxation of continuing activities	-3.841	-5,47%	-1.933	-2,75%
Taxation	863	1,23%	115	0,16%
= Profit/(loss) of continuing activities	-2.978	-4,24%	-1.818	-2,59%
+/-After tax results of discontinued activities	0	0,00%	0	0,00%
= Profit/(loss) for the period	-2.978	-4,24%	-1.818	-2,59%
+/- Results attributable to minority interests	1	0,00%	-34	-0,05%
= Profit / (loss) attributable to the Parent Company	-2.976	-4,24%	-1.852	-2,64%

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VI. DISTRIBUTION OF NET TURNOVER				
	Parent company		Consolidated	
	Current year	Prior Year	Current year	Prior Year
Intimate wear	25.186	24.605	58.778	61.165
Swim wear and sports wear	6.245	6.977	8.245	7.092
Pret-a porter	2.549	1.534	2.552	1.803
Services and other sales	10	166	689	194
Net turnover	33.990	33.282	70.264	70.254
Internal sales	11.721	12.693	12.242	13.209
Export : European Economic Community	12.450	12.424	26.093	25.352
OMC member states	3.782	4.038	5.814	5.902
Other countries	6.037	4.127	26.115	25.791
	0	0	0	0

VII. AVERAGE NUMBER OF EMPLOYEES				
	Parent company		Consolidated	
	Current year	Prior Year	Current year	Prior Year
Total persons employed	588	580	1.835	1.795

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VIII. BUSINESS DEVELOPMENT

Dogi International Fabrics' turnover in the first half of the year 2006 amount to 70,3 million euros, very similar to that reported in the same period of the year 2005. The net consolidated loss of the Group for the six months ended 30 June 2006 amount to 2,9 million euros vis a vis 1,8 million loss reported in the same period last year. The marked increase in the cost of utilities due to the increase in petrol prices is one of the determining factors contributing to this result. The effect of the increase in utilities expense is estimated to be approximately 1 million euros. The Company is currently undertaking plans in all the Group's mills to improve efficiencies, reduce energy consumption and search for alternative sources to fuel oil.

In the Asian Pacific Region, the Group's turnover has increased by 7,8% with respect to the same period last year. Dogi, who has industrial plants in China, the Philippines and Thailand, is focusing its main business strategy in the Asian market. It is in this region where the production capacity has been increased in China and the production and commercialisation of the "Penn Elastic" product range have been initiated in the Philippines. However, to date the necessary sales volume has not yet been generated to enable to absorb the costs associated with these projects.

In Europe, the Spanish company has had to cope with the consequences of increased utilities costs as well as the fall in sales margins due to the pressure in sales prices arising from the imports from the Asian countries. In the second half of the year, an improvement in margins is envisaged due to the increase in sales of the new product range "Invisible", developed in collaboration with key European and American customers. These projects are a result of the Group's R&D initiatives. The net turnover of German subsidiary has decreased in the first semester of 2006 compared with the same period of 2005, albeit the consolidation of the high added value products "Dream Shape" is expected to lead to a recovery in sales in the next 6 months.

In order to improve the operating results of the Group, the Parent Company is implementing an aggressive cost savings and efficiency improvement plan together with strengthening its commercial policies in order to increase market penetration in key intimate wear brands. With these projects in progress, together with the consolidation of the projects implemented in Asia, the Group is optimistic regarding the evolution of the results in the second half of 2006.

The financial results include the interest of the Syndicate Loan up to February 2006 when it was fully repaid, as well as the costs associated with the advance repayment. It also includes the interest on the debentures convertible in to company shares. The First conversion period of the debentures ended on 25 April 2006 with a conversion ratio of 97%.

Gain/losses arising from sale of non current assets..... include the gain arising from the sale of assets not used in the ordinary business of the subsidiary in China.

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XIII. Significant events

A summary of the following significant events occurred in the first half year of 2006, previously reported to the CNMV is set out below:

1. In January 2006, Dogi International Fabrics, SA (the Company) issued Debentures convertible into company' shares, as authorised by the shareholders in the Extraordinary Meeting held on 21 November 2005. The total issue amounted to 68 million euros, being 22,715,793 debentures at 3 euros each. The entire issue was subscribed during the Preferential Subscription Period.
2. In February 2006, the Company paid in advance the Syndicated Bank Loan whose outstanding balance at this date was 50 million euros. The funds arising from the Convertible Debenture issue were used to repay the loan.
3. In April 2006, the Initial and Exceptional Conversion Period and at the end of this period in May, 97% of the Debenture holders opted to convert the Debt into company shares. After this conversion period, Mr Josep Domènech's participation in the Company was diluted to 29% (he previously held 48% of the company's share capital)
4. In May 2006, in accordance with the powers granted by the shareholders in the Extraordinary Shareholders Meeting held in 21 November 2005, the Board of Directors increased the Company's share capital to attend to the conversion of the Debentures. The amount of the share increase was 13,255,989.60 euros, representing 22,093,316 ordinary shares with nominal value of 0,60 euros per share and share premium amounting to 2,4 euros per share. The Company's Articles of Association (article 5) was amended to reflect the new share capital

In February 2006, the Company signed a Joint Venture Agreement with MAS Holdings (Sri Lanka) and Elastic Fabrics of America – EFA- (USA) to create a new company called DOGIEFA (Private) Limited. The main objective is to manufacture elastic fibre in the production centre which will be located in Thulhiriya, which is 60 kilometres from Colombo, capital of Sri Lanka.

After a thorough study of the project and the investment required, the three companies have finally decided to establish the company in the Indian subcontinent, which will allow to supply the manufacturers in India, Bangladesh and Sri Lanka itself, who, at the same time supply the final consumption markets of North America and Europe.

Dogi International Fabrics, S.A.'s contribution to the Joint Venture amounts to 4 million US\$ (3,3 million euros), which represents 33,33% of the new company's total share capital.

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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	744		0 ST
Services rendered	T	C	27		0 ST
Loan contract	T	PY	204		0 LT
Remuneration	T	C	15		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	546		0 ST
Loans	T	PY	308		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	1874		0 CP
Services received	T	C	4		0 CP
Purchases	T	C	636		0 CP