

DOGI INTERNATIONAL FABRICS, S.A.

CORPORATE GOVERNANCE ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2004

Dogi International Fabrics, S.A.

Registration Number: A-08-276651

Company Address: calle Pintor Domènech Farré, 13-15, 08320 El Masnou (Barcelona)

CORPORATE GOVERNANCE ANNUAL REPORT
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YEAR ENDED 31 DECEMBER 2004

A. OWNERSHIP STRUCTURE

A.1. Company's share capital

Date of the last modification	Company's share capital (euros)	Number of shares
10-12-2004 Capital Increase	13.691.250	22.818.750

All the shares are of the same unique class and series, 0,60 euros nominal value of each share, fully paid up and represented in the Book entries. These shares are traded in the Madrid and Barcelona Stock Market Exchanges and are part of the Interconnection system stock exchange (stock market).

In 2004, the Company increased its share capital by 4.563.750. - euros, as agreed upon in the Shareholders' Annual General Meeting which took place on 25 May 2004. The mentioned capital increase, signified the issuing of 7.606.250 new ordinary nominative shares of 0,60 euros nominal value, which were issued with a premium of 3,20 euros per share. Said increase was fully subscribed for and paid up, amounting to 28,9 million euros.

A.2 Indirect and direct Shareholders with significant participation in the Company at the year end, excluding members of the Board of Directors.

To the extent that the shares of Dogi International Fabrics, S.A. are represented in the Book entries, the Company does not have a shareholders' register and therefore the Property structure cannot be known.

Nonetheless, the Company has knowledge of the following shareholders who hold more than 5% of the Company's share capital and who are not members of the Board of Directors:

Shareholder's Company name	Number of direct shares	% of ownership in Dogi
Bolquet, S.L.	3.499.326	15,335%

Bolquet, S.L. is a patrimonial Company controlled by Mr. Josep Domènech.

Significant modifications to the ownership structure which arose during the year:

With the capital increase being carried out in December 2004, the direct and indirect shares held by Mr. Josep Domènech in the Company's share capital has decreased from 66,298% to 49,129%.

A.3. Shareholdings of the members of the Board of Directors.

The members of the Board of Directors who have declared shareholdings in the Company and the details of said shares at 31 December 2004 are the following:

Board member's name	Date of initial appointment	Latest date of appointment	Nº of direct shares	Nº of indirect* shares	% of total Company's share capital
Mr. Josep Domènech Giménez	27-04-76	19-06-2002	5.549.071	5.661.476	49,129%
Mr. Francesc Cunill Izquierdo	7-03-83	19-06-2002	900	-	0,004%
Mr. Eduard Domènech Álvaro	10-12-1997	26-06-2003	4.935	-	0,022%
Mr. Sergi Domènech Álvaro	10-12-1997	26-06-2003	4.935	-	0,022%
Mr. Rafael Español Navarro	24-04-2002	24-04-2002	1.278	-	0,006%
Mr. Carlos Franqués Ribera	30-06-2001	30-06-2001	3.100	-	0,014%
Mr. Carlos Jaime Miguel Schröder Quijano	10-12-1997	26-06-2003	15.789	-	0,069%
Mr. Jordi Torras Torras	22-01-2004	22-01-2004	500	-	0,002%
Total			5.580.508	5.661.476	49,268%

* The following table lists the companies through which Mr. Josep Domènech Giménez holds indirect shares:

:

Shareholder's Company name	Nº of direct shares	% of direct ownership in Dogi International Fabrics
Investholding JD, S.L.	1.000.000	4,382%
Index Inversiones SICAV, S.A.	7.052	0,031%
Febrer Norantavuit SICAV, S.A.	30.000	0,131%
Bolquet, S.L.	3.499.326	15,335%
Inversora en Bienes Patrimoniales, S.L.	1.125.098	4,931%
Total	5.661.476	24,810%

No member of the Board of Directors holds share options in the Company.

A.4. Family, commercial, contractual or company relationship that, may exist between the owners of significant shares.

The Company is not aware of such relationships amongst the significant shareholders of the Company.

A.5. Commercial, contractual or company relationships that may exist between the owners of significant shares and the Company

Company name	Nature of relationship	Brief description
Bolquet, S.L.	Contractual	Sublease of the factory premises located in El Masnou (Barcelona).
Investholding, S.L.	Contractual	Rent of a part of the property located in Cardedeu (Barcelona).
Inversora en Bienes Patrimoniales, S.L.	Contractual	Rent of a part rental of the property located in Cardedeu (Barcelona).
Inversora en Bienes Patrimoniales, S.L.	Contractual	Subordinated loan contract granted to Dogi International Fabrics, S.A. whose balance at 31 December 2004 amounts to 11.766 Thousand Euros. Said loan accrues an annual interest of euribor of 3 months + 0,5 points.

A.6. Parasocial agreements between shareholders notified to the Company

The company does not have knowledge of any parasocial agreements..

A.7. Individuals or judicial persons who may exercise control over the Company

Mr. Josep Domènech Giménez is the only owner of a significant participation in the Company and holds 49,129% of Company's share capital.

A.8. A.8. Company's own shares at year end

Number of direct shares	Number of indirect shares	% of total Company's share capital
114.257	0	0,501%

List of significant variations of the Company's own shares, in accordance with the Royal Decree 377/1991:

Date	Number of Direct Shares	Number of Indirect Shares	% of total Company's share capital at the time of reporting to the CNMV	% of total Company's share capital at 31.12.2004, after the capital increase
15/1/04	153.486	0	1,009%	0,673%
23/1/04	157.769	0	1,037%	0,691%
29/1/04	168.475	0	1,107%	0,738%
9/2/04	159.107	0	1,046%	0,697%
12/2/04	157.104	0	1,033%	0,688%
18/2/04	207.833	0	1,366%	0,911%
26/2/04	196.666	0	1,293%	0,862%
2/3/04	177.062	0	1,164%	0,776%
9/3/04	183.526	0	1,206%	0,804%
5/3/04	179.166	0	1,178%	0,785%
16/3/04	189.897	0	1,248%	0,832%
23/3/04	157.287	0	1,034%	0,689%
26/3/04	177.493	0	1,167%	0,778%
31/3/04	195.072	0	1,282%	0,855%
2/4/04	154.241	0	1,014%	0,676%
8/4/04	183.444	0	1,206%	0,804%
16/4/04	183.481	0	1,206%	0,804%
22/04/04	191.438	0	1,258%	0,839%
27/4/04	179.427	0	1,179%	0,786%
3/5/04	191.986	0	1,262%	0,841%
10/5/04	152.750	0	1,004%	0,669%
12/05/04	179.557	0	1,180%	0,787%
17/5/04	156.210	0	1,027%	0,685%
20/5/04	242.580	0	1,595%	1,063%
21/5/04	172.918	0	1,137%	0,758%
08/07/04	153.452	0	1,009%	0,672%

Results obtained from Operations of Own shares during the period (Thousands of euros)

-8

A.9. Details of the conditions and terms of the authorisation from Board of Directors meeting to carry out the acquisitions or transfers of own shares mentioned above.

In the Annual General Shareholders Meeting held on 25 May 2004, it was agreed to authorise the Board of Directors to proceed with the acquisition of the Company's own shares, through the sale, purchase, exchange, allotment, payment or any other kind of basis foreseen by the Law, within the limits and within the requirements set out in article 75 of the Company Law.

A.10 Legal and statutory restrictions regarding the period of rights to vote, also the legal restrictions for the acquisition or transfer of shares in Company stock.

Such legal or statutory restrictions do not exist.

B. GOVERNING BODIES OF THE COMPANY

B.1. Board of Directors

B.1.1. Details of the maximum and minimum number directors foreseen in the Company's Articles of Association

Maximum number of Board Members	12
Minimum number of Board Members	3

B.1.2. Members of the Board of Directors

Name of Board Members	Post held on the Board	First appointment	Latest appointment
Mr. Josep Domènech Giménez	Chairman	27-04-1976	19-06-2002
Mr. Antonio Peñarroja Castell	Secretary of the Board	7-03-1983	19-06-2002
Mr. Francesc Cunill Izquierdo	Domanial Member	7-03-1983	19-06-2002
Mr. Eduard Domènech Álvaro	Board Member	10-12-1997	26-06-2003
Mr. Sergi Domènech Álvaro	Board Member	10-12-1997	26-06-2003
Mr. Rafael Español Navarro	Board Member	24-04-2002	24-04-2002
Mr. Carlos Franqués Ribera	Board Member	30-06-2001	30-06-2001
Mr. Carlos Jaime Miguel Schröder Quijano	Board Member	10-12-1997	26-06-2003
Mr. Jordi Torras Torras	Board Member	22-01-2004	22-01-2004
Total Number of Board Members			9

All the members of the Board of Directors were elected in the Shareholders' Annual General Meeting, except Mr. Torras, who was elected by cooption system, in the Board of Directors meeting held on 22 January 2004, in order to fill in a vacancy at the date of his appointment. Said appointment was later ratified in the shareholder's Annual General Meeting held 25 May 2004.

B.1.3. Typology of the Directors

According to the Board of Directors Code of Conduct, the Executive directors are those who carry out a director's post in the Company. The external or non-executive directors are those who are not members of the management team and contribute with their experience in areas which are considered relevant for the future business of the Dogi International Fabrics, S.A.

Executive Directors

Name of Board Member	Post with in the Company's business structure
Mr. Josep Domènech Giménez	Chairman
Mr. Eduard Domènech Álvaro	Board Director – Group Technical Director
Mr. Sergi Domènech Álvaro	Board Director – Group Commercial & Marketing Director

External Domanial director

Name of Director	Name or Company name of the Significant Shareholder, whom he represents or has proposed his appointment.
Mr. Francesc Cunill Izquierdo	Mr. Josep Domènech Giménez

Independent External Directors

Name of Director	Profile
Mr. Rafael Español Navarro	Independent Director since 2002. Currently President of La Seda of Barcelona, S.A and member of de Board of Directors of Majorica & ENDESA
Mr. Carlos Franqués Ribera	Director since 2001. Occupied posts as Director of the Agrolimen Group and was a member of the Board of Directors of Joyco.
Mr. Jordi Torras Torras	Director since 2004. His professional career is linked to the family business ZANINI Auto Grup He is currently a member of the Board of Directors at UDIN, S.L. and sole Director of ZARTOCAL, S.L. and GERTOCA, S.L.

Other External Directors and details of the reasons for why they may not be considered Domanial or independent.

- **Mr. Antonio Peñarroja Castells** is the Secretary of the Board of Directors of Dogi International Fabrics, S.A. Also holds Director's post in Textiles ATA, S.A. de C.V. and in Dogi USA, Inc., subsidiaries belonging to Dogi International Fabrics, S.A. Finally, Mr. Peñarroja is Company Secretary of Investholding, J.D., S.L., one of the patrimonial companies of Mr. Josep Domènech and shareholders of Dogi.
- **Mr. Carlos Jaime Miguel Schröder Quijano** is member of the Board of Directors of Dogi since 1997. He is currently Vice-President & General Manager of Global Health Products, Air Products, Inc. (USA). Likewise, he is member of the Board of Directors of Sociedad Española de Carburos Metálicos, S.A. and some of its subsidiaries. Mr. Carlos Schröder is the brother of Mr. Francisco Schröder, International Operations Director of the Group.

There have been no changes in the typology of the Directors of during the year.

B.1.4. The classification carried out in the preceding paragraph is in line with the categories set out in the Board's Code of Conduct, approved by the members of the Board of Directors.

B.1.5 Faculties which are delegated to the Chairman

Mr. Josep Domènech, has all the possible faculties legally delegated by the Board

B.1.6. The members of the Board of Directors who take on administrative or management roles in other companies belonging to the Group are detailed as follows:

Director	Subsidiary	Post held in subsidiary
MR. Josep Domènech Giménez I	• S.A. Société Nouvelle Elastelle (France)	• Director
	• Textiles ATA, S.A. de C.V. (Mexico)	• Director
	• Dogi Holding B.V., in liquidation (Holland)	• Attorney and representative of the liquidator which is Dogi International Fabrics, S.A.
Mr. Sergi Domènech Alvaro	• Dogi Fabrics (Jiangsu) Company Ltd. (China)	• Director
	• Penn Asia Co. Ltd. (Thailand)	• Director
	• Dogi Hong Kong Ltd.	• Power of Attorney
Mr. Francesc Cunill Izquierdo	• S.A. Société Nouvelle Elastelle (France)	• Power of Attorney
Mr. Antonio A. Peñarroja Castell	• Textiles ATA, S.A. de C.V. (Mexico)	• Director
	• Dogi USA, Inc.	• Director

B.1.7. Directors who are members of the Board of Directors of other listed companies in the Spanish official stock markets

The Company is aware that Mr. Rafael Español Navarro is member of the Board of Directors for La Seda de Barcelona, S.A., and holds the post of Chairman of said company.

B.1.8. Total remuneration of the Board of Directors accrued during the year

- a) Total remuneration of the Directors of the Company as members of the Board of Directors and management team:

Income by concept:	In thousands of euros
Fixed salary	517
Variable remuneration	14
Allowances	84.
Company Incentives	-
Stock options and/or other financial instruments	-
Others – Expenses for external services	147
Total	762

Other Benefits	En miles de euros
Advances	-
Loans granted	38
Pension plans and funds: Contributed	-
Funds and Pension Plans: Contracted obligations	-
Life Insurance premiums	13

- b) The members of the Board of Directors have not received any remuneration for tasks carried out either as Board Members or Management team of the other group companies.

- c) Total remuneration by typology of Director

Typology of Director	Per Company
Executives	544
External Domanial	-
Independent External	84
Other External	147
Total	775

- d) With respect to profits attributed to the Parent Company

Total earnings of the Directors (in thousand of Euros)	775
Total earnings of the Directors/ profit attributed to the Parent Company (expressed in %)	-12%

B.1.9. The members of the Executive Management who are not members of the Board of Directors

Director	Post
Ms. Mercè Barbé Mundet	Chief Financial Officer
Mr. Joan Currius Espelt	Creativity & Product Development Director
Mr. Josep Ruiz Muntasell	General Manager- Europe
Mr. Pancho Schröder Quijano	Director for International Operations

Total earnings of Executive Management (in thousands of euros) 581

B.1.10. No guarantee or protection clauses exist, for cases of dismissal or control changes in favour of the members of the Executive management, including the members of the Board of Directors of Company and Group

B.1.11 . Remuneration process of the members of the Board of Directors

According to what is established in the Company's Articles of Association, the position of Board Member is remunerated. The Shareholders' meeting will establish for each term the amount of salary, which will consist of the fixed periodical assignment, and does not have to be the same for all the Board members and under no circumstances will consist in a share of the Company's results.

B.1.12. The members of the Board of Directors who at the same time are members of the Board of Directors of companies that hold significant shares in the Company

Director	Company name of the significant shareholder	Post
Mr. Josep Domènech Giménez	Investholding JD, S.L.	Chairman
Mr. Josep Domènech Giménez	Bolquet, S.L.	Sole Administrator
Mr. Josep Domènech Giménez	Inversora en Bienes Patrimoniales, S.L.	Director
Mr. Josep Domènech Giménez	Febrer Norantavuit SICAV, S.A.	Chairman
Mr. Francesc Cunill Izquierdo	Investholding JD, S.L.	Director
Mr. Francesc Cunill Izquierdo	Bolquet, S.L.	Sole Administrator
Mr. Francesc Cunill Izquierdo	Febrer Norantavuit SICAV, S.A.	Director
Mr. Francesc Cunill Izquierdo	Inversora en Bienes Patrimoniales, S.L.	Sole Administrator
Mr. Francesc Cunill Izquierdo	Index Inversiones SICAV, S.A.	Director
Mr. Eduard Domènech Alvaro	Investholding JD, S.L.	Director
Mr. Sergi Domènech Alvaro	Investholding JD, S.L.	Director

Relevant relationships other than those from the previous paragraph of the Directors of the Board of Directors that link them with significant shareholders and/or entities within the group:

Such relevant relationships do not exist, differing from the ones in the previous paragraph, of the members of the Board of Directors who are linked with significant shareholders and/or entities within the group.

B.1.13. Modifications introduced during the year, in the Board of Directors' Code of Conduct

There have been no modifications introduced during the year, in the Board of Directors' Code of Conduct.

B.1.14. Procedure of appointment, selection and details of competent bodies of the Board of Directors

The members of the Board of Directors will be appointed in the Shareholders' meeting. The appointment of the members of the Board of Directors will be carried out in accordance with what is established in the Law and the Company's Articles of Association and it is not necessary to be a shareholder to become a Board Member.

Likewise, the Shareholders' Meeting can remove the selected Directors from their posts, without the need to give reasons for their action, as long as the decision to remove the Board member is adopted by the majority which is established by the Law and the Company's Articles of Association.

The appointment of the Directors will become effective from the moment of acceptance of the post and must be registered at the Mercantile Registrar within ten days after the appointment, expressly stating the full names, surnames, marital status, residence, nationality and the nature of the Identification documentation of the designated Directors, and any other information required by Law.

B.1.15. Circumstances in which the Directors are obliged to resign

The Directors are obliged to resign under the foreseen legal circumstances and especially, at the time any incompatibility is incurred as established by Law, but, on reaching 70 years of age, they must offer their post to the Board of Directors, who may ratify.

B.1.16. Measures to limit the risk of accumulation of powers for one sole person

Mr. Josep Domènech, Chairman of the Board is also the Chief Executive Officer. However, his management is subject to the approval of the Board of Directors.

B.1.17. Majorities to adopt the agreements in the Board of Directors, minimum assistance quorum and the type of majorities to adopt the agreements,

The valid constitution of the Board of Directors and the necessary majorities to be adopted by the agreements of the governing body, are set out in Article 28 of the Company Articles of Association, quoted thus:

ARTICLE 28º. - CONSTITUTION-DECISION ADOPTIONS. - So that the Board of Directors can be validly constituted, it will be necessary for them to meet in the meeting, being physically present or represented by a simple majority of its components.

The Board of Directors will adopt its decisions by an absolute majority of the present or represented Directors in the meeting.

The Directors of the Board can also adopt in writing or without session, the decisions when no Director opposes this procedure and the referred decisions were to obtain a favourable vote with an absolute majority.

The permanent delegation of any faculty of the Board of Directors in a delegated committee or a Director of the Board and the designation of the Directors that may have occupied such posts, a favourable vote by two thirds of the Board's components will be needed for its validity and will not take effect until its inscription has been made with the Mercantile Registry. Under no circumstances, the delegation of the balance or representation of the Accounts can be the purpose of the Shareholders' Annual General Meeting, nor the faculties that the latter grants to the Board of Directors, unless it is expressly authorised to do so. Once the delegation is subscribed in the Mercantile Registry, its purpose in relation to the granted actions from the date of nomination, will be taken back to the time it takes place.

B.1.18. Specific requirements to be appointed Chairman

There are no specific requirements to be appointed as Chairman.

B.1.19. Casting vote of the Chairman

The Chairman of the Board of Directors does not have a casting vote in the Board.

B.1.20. Directors age limit.

No limits exist for the age of the Directors in the Company's Articles of Association, but on reaching 70 years of age; they must offer their post to the Board of Directors, who may ratify.

B.1.21. Term of Directors mandate

The term of the post of Director, in accordance with Article 26 of the Company's Articles of Association is five years. The directors can be re-elected once or more times for periods of the same maximum term

B.1.22. Procedures for the delegation of votes in the Board of Directors Meeting

In accordance with the Company's Articles of Association, the Directors will make the utmost effort to attend all the Board of Directors Meetings and when they cannot personally attend, they will strive to appoint another member of the board to represent him and give him the appropriate instructions. .

B.1.23 . Number of meetings held by the Board of Directors during the year and the amount of times the Board of Directors have met without the Chairman's attendance:

Number of Board of Directors' Meetings	9
Number of meetings held without the Chairman's attendance	0

Number of meetings held by other Committees during the year:

Number of meetings held by the Audit Committee	2
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B.1.24 Certifications of the Parent Company's and Consolidated annual accounts

The Parent Company's and the Consolidated accounts for the year ended 31 December 2004 have been certified by the following officers for its presentation before the Board:

Mrs. Mercè Barbé Mundet Chief Financial Officer
Mr. Antonio A Peñarroja Castell Company Secretary

B.1.25 Established mechanisms by the Board to avoid that the Parent Company's and the Consolidated annual accounts may include audit qualifications

The Audit Committee has, along with other functions, the role of co-ordination with the external auditors related to the audit process. In addition, the Company has an Internal Audit Department, which has maintained various meetings throughout the year with the external auditors with the purpose of analysing any matter, which may have a significant impact on the audit report.

B.1.26. Measures adopted to enable the information given to the Stock Exchange Market to be transmitted in a reasonable and symmetric way

The Company has an Internal Code of Conduct relating to Stock Market matters, with the principal objective of regulating the behaviour of the affected people: directors, executives and employees. This is to ensure that due diligence is observed in order to safeguard confidential and privileged information with the purpose of securing that the market disposes at all times identical information regarding the Company.

B.1.27. The Company Secretary

Mr. Antonio A Peñarroja Castell is the Company Secretary and also Member of the Board of Directors.

B.1.28. Measures to preserve the independence of the auditors, financial analysts, investment banks and rating companies

The Audit Committee amongst other functions assures the independence of said entities. In the selection process, their independence is taken into account and diligence is carried out to ensure that they are not in any way related with, nor do they have any interest of any type in the Company or any of its subsidiaries.

B.1.29. Work carried out by the Principal Auditor

	Company	Group	Total
Amount of fees of work carried out other than statutory audit (thousands of euros)	8,4	-	8,4
Amount of fees of work carried out other than statutory audit over the Total amount invoiced by the Audit Firm (%)	10%	-	7%

B.1.30. Number of years that the current Auditor (principal auditor) has uninterruptedly carried out the audit of the annual accounts

- a. Number of years that the current Auditor (principal auditor) has uninterruptedly carried out the audit of the annual accounts.

BDO Audiberia España, S.L. was appointed in the Shareholders' General Annual Meeting on 25 May 2004, Account Auditors for years; 2004, 2005 and 2006. Consequently, the current Principal Auditors are in their first year of their term.

- b. N° years audited by the current audit firm/ N° of years that the company has been audited (%)

Said Percentage is not applicable as it is their first year as Principal Auditor and Dogi International Fabrics, S.A, has submitted its yearly reports to audit procedures since 1971 and its consolidated annual accounts have been audited since 1990.

B.1.31. Shares that the Board of Directors have in the equity of companies that may have the same, similar or complementary activity as the Company.

Board Member	Company	Activity	Shares owned by the Board member		Post or Functions
			Direct	Indirect	
Mr. Josep Domènech Giménez	Grupo Moda Estilmar, S.A.	“Converter” , y Fabric commercialiser	-	75%	-
	Modaline, S.L.	Textile	50%	-	-
	Inversora en Bienes Patrimoniales, S.L.	Real estate lease	7%	88,94%	Director
	Investholding JD, S.L.	Real estate lease	73%	-	Chairman
	Bolquet, S.L.	Real estate lease	-	100%	Sole Administrator
Mr. Eduard Domènech Alvaro	Investholding JD, S.L.	Real estate lease	0,01%	-	Director
Mr. Sergi Domènech Alvaro	Investholding JD, S.L.	Real estate lease	0,01%	-	Director
Mr. Rafael Español Navarro	La Seda de Barcelona, S.A.	Manufacturing- sale textiles fibres and threads	0,050%	0,026%	Chairman of the Board of Directors

B.1.32. Procedures for the Directors to be able to obtain external advise.

For the purpose of being assisted with their functions during the year, the External Directors are able to request the contracting of legal advisors, accountants, financial advisors or other experts and charge the costs to the Company. The request must necessarily deal with concrete problems of certain importance and complexity that may come about on carrying out their tasks.

The Board of Directors must approve the decision to engage external advice.

B.1.33. Procedures allowing the Directors to be able to dispose of necessary information to prepare the meetings

The Directors maintain permanent contact with each other, especially with the Chairman who continually informs them how the business is going. However, the necessary information for each Board of Directors Meeting is sent via electronic mail at least 3 days before the meeting takes place.

B.1.34. Liability insurance in favour of the Company’s Board Members

The Company has contracted a Civil Liability Insurance Policy for all the members of the Board of Directors.

B.2. Board of Directors Commissions/Committees

B.2.1. Governing Bodies

The governing bodies foreseen in the Board of Directors Code of conduct are the following:

- Executive Committee with general decision making faculties
- Appointment and Remuneration Committee with information, advising and proposals for materials regarding their respective duties.
- Audit and Compliance Committee.

At today's date, the Board of directors has not yet constituted the foreseen committees, with the exception of the Audit Committee, since the size and characteristics of the functioning of the Board has not made it necessary to create an Executive Committee or Appointments and Remuneration Committee. The Board of Directors considers that its is perfectly apt to take on the responsibility to adopt all decisions of its competence with agility and swiftness that the Company requires.

Therefore, currently, the Audit Committee is constituted by four members, and has the following duties:

- (i) Inform through its Chairman and/or its Secretary, in the Shareholders' General Annual Meeting regarding the questions that may be asked by the shareholders regarding their duties.
- (ii) Propose to the Board of Directors, and subsequently submit in the Annual General Meeting, the appointment of the Company Auditors as referred to in Article 204 of the Company Law.
- (iii) Supervise the internal audit procedures, in the event that such governing body should exist within the Company.
- (iv) Hold knowledge of the financial information procedures and internal systems of control.
- (v) Co-ordinate the relationships with the Auditors to be able to receive information regarding certain questions which may put the independence of the latter at risk and any other matters related to the process of the preparation of the Annual Accounts, such as receive information relating to accounting and auditing technical standards.

B.2.2 Details of the commissions of the Board of Directors

- **Audit Committee**

In compliance with the Law of Measures to Reform the Financial System dated 22 November 2002 (Law 44/2002) , the Company's Shareholders' Annual General Meeting held 26 June 2003, approved the creation of the Audit Committee, as proposed by the Board of Directors, in compliance with the established by the Law 44/2002 dated 22 November, of Measures to Reform the Financial System. Thus a new article was incorporated – as Article 32-Bis – to the Company's Articles of Association which details the Committee's functions, as set out in paragraph 2.1 of this Report.

The members of the Audit Committee are:

Name	Post
D. Francesc Cunill Izquierdo	Chairman
D. Antonio Peñarroja Castell	Secretary and Member of the Audit Committee
D. Carlos Franqués Ribera	Member
D. Eduard Domènech Álvaro	Member

B.2.4. Indicate where appropriate, what faculties each of the commissions has, for advising, consulting or if necessary delegating.

In accordance with the Company's Articles of Association an Executive Committee (up to the date it has not been constituted) can be designated within the Board of Directors as well as one or various Chairmen, and the Commissions or Committees (including an Audit Committee) that is considered appropriate. In any case, the faculties referred to in the mentioned Article 28 of the Company's Articles of Association, cannot be delegated to the the Executive Commission, nor to the Chairman, nor to any other commissions or committees.

Currently the Board of Directors has designated a Chairman who is D. Josep Domènech Giménez. The Chairman was appointed in the Board of Directors meeting that was held 19 June 2002. The Board of Directors unanimously agreed to delegate in favour of the appointed Chairman, complete powers of the Board of Directors, except those that cannot be legally delegated.

At today's date the Board of Directors has not yet created any of the commissions envisaged, except for the Audit Committee. However it has appointed a Chairman who is Mr. Josep Domènech Giménez. The Chairman was appointed in the Board Meeting dated 19 June 2004. The Board of Directors unanimously agreed to delegate in favour of the appointed Chairman full powers of the Board, except those that cannot be legally delegated.

B.2.4. Indicate, where appropriate the advisory and consultative powers of each of the commissions and the powers delegated to them

This is not applicable to the Company.

B.2.5. Indicate, where appropriate, the existence of Regulations in the Board Commissions, where they are available for consulting, and the modifications made during the year. Please indicate as well if any annual report on the activities of each commission has been voluntarily elaborated.

Both the Company's Articles of Association and the Board of Directors "Code of Conduct" include the regulations of the foreseen Commissions. No Annual Report on the activities of the Audit Committee has been prepared.

B.2.6. If an Executive Commission exists, explain what level of delegation and autonomy the Executive Commission has, for adopting agreements about the administration and management of the Company.

As previously indicated, the Executive Committee has not yet been constituted.

B.2.7 Indicate if the composition of the Executive Commission reflects the participation of the different members according to their condition:

This point does not apply to the Company.

B.2.8. In the case where an appointment commission should exist, indicate if all the members are external members.

As indicated previously, the Appointment and Remuneration Commission has not been constituted up to the date.

C. RELATED PARTY TRANSACTIONS

C.1. Details of transactions between the Company and significant shareholders.

Name of significant shareholder	Name of the company	Nature of the operation	Type of relation	Amount (thousands of Euro)
Investholding, J.D., S.L.	Dogi International Fabrics, S.A.	Contractual	Rental	145
Bolquet, S.L.	Dogi International Fabrics, S.A.	Contractual	Rental	1.360
Inversora en Bienes Patrimoniales, S.L.	Dogi International Fabrics, S.A.	Contractual	Rental	84
Inversora en Bienes Patrimoniales, S.L.	Dogi International Fabrics, S.A.	Commercial	Service agreement	69
Inversora en Bienes Patrimoniales, S.L.	Dogi International Fabrics, S.A.	Contractual	Subordinated Loan Contract	11.766
Inversora en Bienes Patrimoniales, S.L.	Dogi International Fabrics, S.A.	Contractual	Interest accrued on long term loan	208

On 31 December 2004 the outstanding balance of the subordinated loan granted by Inversora en Bienes Patrimoniales, S.L. ("IBP") amounts to 11.766 thousand Euros and accrues an annual interest of Euribor 3 months plus a differential of 50 basic points. The original amount of the loan granted in June 2004, was 16.040 thousand Euros and was used to repay part of the double currency Syndicate Loan contracted by the Parent Company in 2001. The actual balance of 11.766 thousand euros corresponds to the amount that IBP could not subscribe in the capital increase carried out in November 2004, due to the pro rata allocation carried out arising from the excess in demand of the shares issued. The reimbursement of the subordinated loan, including interest is subject to the total repayment of the Syndicate Loan by the Parent Company

C.2. Transactions carried out by the Company that involve a transfer of resources or obligations between the Company or companies belonging to the Group, and the executives or directors of the Company.

Name of the significant shareholder	Nature of the operation	Type of relationship	Amount (thousands of euros)
D.Josep Domènech Giménez (via Grupo Moda Estilmar, S.A.)	Commercial	Sale of products	5.809
D.Josep Domènech Giménez (via Modaline S.L.).	Commercial	Sale of products	959
D.Josep Domènech Giménez (via Alyto S.A.).	Commercial	Purchase of energy through the electrical generating plant	1.025

* All mentioned operations have been carried out with Dogi International Fabrics, S.A.

- GRUPO MODA ESTILMAR, S.A.: The Chairman and President of the Board of the Company holds, indirectly, 75% of the shares of Grupo Moda Estilmar, S.A., who is the most important customer for the Dogi International Fabrics, given that the sales volume carried out by the Company in 2004 represented 7% of the Company's total turnover and 4 % of the Group's total turnover.
- MODALINE, S.L.: The Chairman and President of the Board of the Company holds significant shares in the Company stock of this company, albeit Mr. Domènech does not participate in any way with the management of said company. Sales carried out to this entity by the Company in 2004 represented 1% of its sales.
- ALYTO ENERGÍA, S.L, is a company with the majority of shares belonging to the Chairman and the President of the Board of Directors, and is the proprietor of the electrical generating plant, which supplies the electricity, under market conditions, or even at more advantageous conditions to the factory at El Masnou.

C.3. Transactions carried out by the company with other companies belonging to the same group that may not have been eliminated during consolidation processes which does not form part of the company's normal trading.

No operations exist between the Company and its subsidiaries that do not form part of the normal trading activities of the company.

C.4. Conflicts of interest

There has been no case of conflicts of interests regarding the transactions between related parties.

C.5. Established mechanisms to detect, determine and resolve possible conflicts of interest.

The Company has clearly identified the possible sources of conflicts of interest with related parties and affected persons or officers. In accordance the Internal Code of Conduct relating to Stock Exchange matters, the affected people must act at all times with freedom of judgement, and with loyalty to the Company, the Group and its shareholders and independently from their own interests. Consequently, they must not benefit their own interests at the expense of those of the Company, the Group or investors at the expense of others. Thus, they should dissuade from intervening or influencing in decision making that could affect the people or entities with whom conflicts of interest may exist and not access conflictive information which may affect said conflict.

In compliance with the Internal Code of Conduct, the Internal Audit Department, under the supervision of the Audit Committee is the body in charge of watching out for, supervising and avoiding conflicts of interest situations that may arise from the operations with related parties.

D. RISK CONTROL SYSTEM

D.1. General description of the Company's and/or the Group's risk policy, giving details and evaluating the risks covered by the system, together with justification that the mentioned system is adapted to the profile of each type of risk.

The control risk system is the responsibility of the Internal Audit Department, and acts under the supervision of the Audit committee. The control risk system is continually under review, to reflect the changes that are occurring in the business. In the last 4 years, the Group has experienced a lot of changes, with the incorporation of numerous companies and the deteriorating performance of the business due to the generalised crisis suffered by the European textile industry. Consequently, supervisory controls have become a primordial element for the management of the Group, developing specific control to supervise its subsidiaries.

It should be pointed out that, together with the Internal Audit Department, the Company has a Corporate Management Controlling Department that reports to the Group's Financial Management whose function is to assure that the measures taken by Executive management are executed and if this is not so, adopt the necessary measures to correct these.

D.2. Indicate the control systems established to evaluate, mitigate or reduce the main risks of the Company and its group.

The specific risks identified by the Company are as follows:

a. Control environment and business risks

Although there has been a certain global economical recovery, the evolution of the European textile sector continues to be negative, worsened by the rise of imports from Asia coinciding with the liberalisation of the quotas in the textile sector in 2005, and by the decrease in exports due to the strong Euro against the Dollar, are factors which have negatively affected the Company's business.

Under this business climate, the management team is continually reviewing the different business areas, with the purpose of designing a strategy permitting the Group to achieve profitability again. Thus, throughout 2003 and 2004 the Company has adopted the following measures:

- i) Reinforce the marketing area and give a strong support to Research and Development activity with the objective of creating new, unique products, perfectly adapted to the markets requirements.
- ii) Strengthen the organisational structure to provide the European operations the means necessary to achieve efficiency thus guaranteeing a growing and sustained increase in a highly competitive market environment
- iii) Make advances on reaching the levels of quality and service necessary to meet the needs of a more demanding market.
- iv) Increase the production capacity of the mills in Asia, taking into account the growing delocalisation of the western garment manufacturers to countries with

lower labour costs, and the macroeconomic forecast of the growth in local Asian markets.

b. Financial risks

For any international industrial Group, financial transactions always carry a risk factor of the interest and exchange rates.

The interest rate risks are associated with the debts that the Company has, and its future development will have a positive or negative impact on the Groups' profit and loss accounts. To be able to mitigate the effects of interest rate fluctuations, the Company has a policy to establish coverage of at least 50% of these risks. Said coverage is carried out through financial contracts such as interest rate SWAPS.

The risks regarding exchange rates arising principally through commercial transactions using currencies, such as the foreign currency debt. The principal risk that the Company currently has is from the US dollar syndicate loan, contracted in 2001 by the Company. The risk derived from said debt is totally covered by a SWAP contract for exchange rates. Additionally, the exposure of risks arising from commercial transactions (principally, payments in dollars and sterling coming from exportation), is 50% covered on a short-term basis with the banks through forward contracts and other similar instruments.

c. Related party transactions

According to what is set out in section B and C of this report, the Chairman of the Board of Directors and majority shareholder of the Company holds significant shares in other entities that carry out the transactions with the Company. Although these transactions are always carried at arm's length, these have been identified as risks due to their nature.

Thus, the Board of Directors approved the Internal Code of Conduct, which covers any type of conflicts of interest situation and encourages transparency and full disclosure of said transactions. The Internal Audit Department is responsible for supervising said transactions and notify, if necessary, the Audit Committee and/or to the *Comisión Nacional del Mercado de Valores*.

d. Environmental Risks

During the last three years, the Company and its subsidiaries, in compliance with the regulations in force for each country, have implemented procedures and improvements related to the protection of the environment. In this area, specific controls have been implemented for each industrial operation. Said controls are carried out by specialised personnel in this area and if necessary supported by external technical consultants specialising in environmental matters.

D.3. On the assumption that some of the risks that could affect the Company and/or its Group should materialise, indicate the circumstances which have motivated them and if the control systems established have worked.

The previously identified risks do materialise, as is natural, throughout the industrial activity of the Company and its subsidiaries. It is precisely because of this fact that the Management team is completely aware of all the inherent risks in the business. Nevertheless, very few of the previously described risks have had a significant impact on the Group during the year, except the exchange rate risks due to the strong euro with respect to the Dollar. The hedging contracts in force during the year mitigated the effect of this risk.

D.4. Indicate if any committee or other Corporate body, exists that is in charge of establishing and supervising these control devices and give details of the functions they carry out.

As indicated in point D.1, the supervision of the Risk Control system is entrusted to the Audit Committee, who in turn has delegated the operative to the Internal Audit Department.

D.5. Identification and description of the measures to ensure compliance of the different regulations that affect the Company and/or its Group.

Dogi International Fabrics actually operates in twelve countries, so it is obliged to comply with different legislations.

The Company is fully aware of the diversity of the legislations and therefore relies on local legal advice in each jurisdiction. The legal advisors that work for each of the Dogi International Fabrics subsidiaries are prestigious professionals in each country and they are in charge of watching over the Company's interests so that the activities carried out, adapt to the legislation applicable to each of the Company's subsidiaries

The Corporate office in El Masnou (Barcelona) carries out a co-ordination task with the different persons responsible in each mill and their corresponding Internal legal Departments or external advisors, under the supervision of the Company Secretary.

E. SHAREHOLDER'S MEETING

The regulations in force regarding the workings of the Shareholders' Meeting are those that are set out in the Company's Articles of Association and prevailing laws. In addition, the "Rules Governing Shareholders Meeting", approved by the Shareholders in the Annual General Meeting held in 2004, include a detailed regulation of all those matters that concern the Meeting and in particular, regulate the convening, notification, preparation, attendance, rights to information of the shareholders, conduct and exercise of political rights, documentation and the announcement of the agreements reached.

E.1 Quorum constitution of the Shareholders' Meeting

The Shareholders' Meeting will be validly constituted in the first call when the attending or represented shareholders, hold at least twenty five percent of the subscribed Company stock with voting rights. In the second call, the constitution of the Meeting will be valid with any capital present in the meeting.

However, for the Ordinary or Extraordinary Shareholders Meeting to be able to agree validly on the issuing of obligations, increase or decrease in share capital, transformation or merger, division or voluntary dissolution of the Company or any other modification in these Articles of Association, in the first call it will be necessary to have the attendance or representation of shareholders owning at least 50% of the Company stock subscribed with voting rights and in the second assembly, 25% of the Company stock.

E.2. Adoption of the company's agreements

The agreements deriving from the Shareholders' Meeting will be decided upon by the majority of votes in the Meeting from the attending and represented shareholders. In the Company Articles of Association, the requirements of majority do not differ from what prevails in the Law. Consequently there is no difference between the Company's Articles of Association and the Legislation with regards to the adoption of agreements.

E.3. Shareholders Rights

In compliance with the law, the company's Articles of Association and the Rules Governing Shareholders' Meetings, once approved, the shareholders of the Company will have the following rights with relation to the Shareholders Meeting:

- Right to information, both on points in the agenda as well as, before the meeting public information which may have been provided to the *Comisión Nacional del Mercado de Valores* since the last Shareholders Meeting;
- Right to attendance, without the condition of holding a specified amount of shares;
- Right to voice and intervene, with the terms foreseen in the Company's Articles of Association and the Rules Governing Shareholders' Meetings.;
- Right to delegate votes
- Right to vote
- Right to obtain the certification of the minutes of the meeting

The regulation details the exercising of these shareholder rights are found in the company's Articles of Association and at length, in the Rules Governing Shareholders Meeting.

E.4. Measures adopted to encourage the Shareholder's participation in the Shareholders' Meetings

The notification of the Shareholders general meeting is announced with sufficient time through the media, as the law prevails, and also in the Company's web site. Likewise, the Company has a Shareholders and Investors Office, which is available to all the shareholders and will attend to any kind of doubt they may have.

E.5. Measures adopted by the Company to guarantee the independence and good functioning of the Shareholders Meeting.

The Chairman of the Board presides each of the Company's Shareholders Meetings, as in accordance with the Spanish Company Law.. Nevertheless, the Company has approved a

the Rules Governing the Shareholders Meeting which fully guarantees its independence and good functioning.

In this sense, article 17 of the above mentioned Rules Governing the Shareholders' Meeting regulates the proceedings and as mentioned in this article, the shareholders' rights with respect to the right to vote and the right to be heard are completely assured. The article confers on the Chairman the powers to moderate and to ensure order in the meetings.

E.6. Modifications in the Rules Governing the Shareholders Meeting during the year.

No modifications have been introduced during the year.

E.7.- Attendance data for the last Shareholders Annual General Meeting

In the shareholders Annual General Meeting held on 25 May 2004, the number of shareholders present at the Meeting was of twenty-nine (29), representing jointly 10.135.245 shares, that over the 15.212.500 shares amongst which the company stock was divided at that date, represented 66,62% of the company stock subscribed with the right to vote. Shareholders of 29.023 shares delegated their vote to the Board of Directors. The total shares, between present shareholders and the ones represented with the right to vote, in the Annual Shareholders Meeting was of a total of 10.164.268, which represents 66,82% of the company stock.

E.8. Summary of the agreements adopted in the last Shareholders' Annual General Meeting

The shareholders present and represented unanimously approved the following agreements

- Approval of the Parent Company and consolidated annual accounts and Auditor's report related to the company year ending 31 December 2003, and the distribution of the result.

Parent Company: Losses: ELEVEN MILLION SIX HUNDRED AND FORTY SIX THOUSAND THREE HUNDRED AND THIRTY EUROS (11.646.330 €), whose result is agreed to be compensated with the profits that may be obtained by the Company in the following years.

Consolidated Company: Losses : SEVEN MILLION THREE HUNDRED AND FIFTY NINE THOUSAND FOUR HUNDRED AND THREE EUROS (7.359.403 Euros), whose result is agreed to be compensated with the profits that may be obtained by the Company in the following years.

- Approval of the Board of Directors' management of the Company during the course of the referred fiscal year.
- Delegation in favour of the Board of Directors so that within a maximum period of Five Years as from the date of its approval, they may proceed, in one or more occasions, to agree on the Company's Capital Increase, up to a maximum of 50% of the total company stock, by means of

cash payments with or without share premium, according to Article 153 and the Law for Limited Companies.

- Authorisation of the Board of Directors for them to be able to proceed with the acquisition deriving from the Company's own shares, within the limits and requirements set out in article 75 of the Company Law in force, and the ratification of the acquisitions on behalf of the Company of their own shares, which total to 0,85% of the capital stock.
- Ratification of the appointment of D. Jordi Torras Torras as Member of the Board and acceptance of the resignation of D. Ferran Conti Penina as Director of the Company.
- Approval of the total remuneration of the Board of Directors for the year 2004, being the total amount of NINETY SIX THOUSAND ONE HUNDRED AND SIXTY ONE WITH NINETY FOUR CENTS (96.161'94 €).
- Appointment of "BDO AUDIBERIA AUDITORES, S.L.", as the Company's Auditor, for the Individual annual accounts, as well as the Consolidated Accounts, corresponding to the year ending 31 December 2004, 2005 and 2006.
- Approval of the rewriting of the Company's Articles of Association into one sole document.

D. 9. Number of shares necessary to assist the Shareholders Meeting

Shareholders who shares (even if it is only one share) are inscribed in their name in the Accounting Records in charge of any of the Participating Entities of the "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores" (antes Servicio de Compensación y Liquidación de Valores), at least five days before the date when the Shareholders meeting is to be held. In order to exercise the right to assist, the shareholder must have the corresponding voucher or supporting document, issued for that purpose by the Entities in charge of the Accounting Records.

E.10. Policy followed by the Company regarding the delegation of votes in the Shareholders Meeting.

All shareholders with the right to attend the Meeting, may be represented by another shareholder (the "proxy"), by filling in the form which the Company foresees for such a purpose on the assistance card.

A shareholder cannot be represented by more than one proxy.

No representation will be valid or effective, if it has been granted to somebody who cannot hold it according to the Law.

The representation must be given in writing or by a system of communication that complies with the requirements of Article 105 of the Law for Limited Companies and other Legislations applicable for the exercise of right to long distance vote and of a special nature for each Meeting. For such cases the Company must have established accredited procedures that will guarantee the identity of the person represented and the representative.

The representation will be revocable, considering it revoked if the person represented assists the meeting personally.

E.11. The Company does not have any knowledge of the Institutional investors policy for participating or not in the Company's decisions.

E.12 Address and mode of access to the contents of the Corporate Government on the web page.

Dogi has a web page <http://www.dogi.com> in which legal information for shareholders may be found, according to the established in the actual Legislation, as well as any other information related to the Company or its Group.

F. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

The Order ECO/3722/2003, dated 26 December, foresees that the Annual Corporate Governance Report will contain information regarding the fulfilment of compliance with the recommendations regarding the code of good governance or where appropriate, an explanation of the lack of compliance with said recommendations. To this effect, the rules prevail that the *Comisión Nacional del Mercado de Valores* will prepare a unique document regarding the corporate governance with the existing recommendations.

On the date of approval of this report, the *Comisión Nacional del Mercado de Valores* has not produced mentioned document with the existing recommendations about corporate governance. In absence of said document, we include, as follows, information regarding the compliance with the corporate governance recommendations of the Special Commission for the study of the Etiquette Code of the Board of Directors of the Companies (Olivencia Code), which include a formal catalogue of 22 recommendations, up dated to agree with the most recent contents of the "Aldama Code".

Recommendation 1.-

"That the Board explicitly assumes as the core of its mission the general function of supervision, exercising the responsibilities, which cannot be delegated, and establishes a list of the matters reserved for its knowledge"

The Board of Directors concentrates its activity in the general function of supervision of the management of the Company's executive team and evaluates its management. For this purpose the Board of Directors adopts all the decisions which they are legally obliged to do so, such as those that result most relevant for the Company. Nevertheless, the Board of Directors of the Company has delegated all those faculties which can be legally delegated to the Chairman, being the Board of Directors the body in charge of supervising its performance.

Recommendation 2.-

"That the Board of Directors incorporates a reasonable number of independent Directors, who are people of recognised prestige and are not executives of The Company or significant shareholders."

As previously indicated in section B of this report, the Board of Directors has 6 external Directors, 3 of which are considered totally independent. All of them are reputable professionals, with experience in different types of business.

Recommendation 3.-

"That the composition of the Board of External Directors (proprietary and non executive) amply outnumber executive directors and that the proportion between proprietary and non-executive ones is established taking into account the relationship between the capital integrated by the significant packets and the rest.."

As previously indicated in section B, out of the 9 members of the Board of Directors, 6 are external Directors and 3 of them are independent. This means the existence of an ample majority of non-executive Directors and a majority of independent Directors against domianial ones.

Recommendation 4.-

“That the Board of Directors adjusts its size to achieve a more efficient workings and greater participation by everyone. In principle, the adequate size is between five and fifteen members.”

The Board of Directors of the Company is made up of 9 members, which, by the Board’s judgement, is the adequate number to assure the efficient and working of this organisation.

Recommendation 5.-

“That if, the Board opts to make the Chairman the CEO also, it takes the necessary cautionary steps to reduce the risk of the concentration of power in a single person..”

The Chairman of the Board of Directors of the Company is, the Chairman and the CEO of the Company, however, his management is under complete control of the Board of Directors.

Recommendation 6.-

“That the post of Company Secretary is given greater importance, strengthening his independence and stability and enhancing the function of overseeing that the Board’s activities are within the Law.”

The functions of the Company Secretary are set out in the Company’s Articles of Association, and in the Board of Directors Code of Conduct. The Company Secretary is the person who gives legal advice with regards to company Law to the Board of Directors. The Company Secretary is a well-known lawyer with great prestige and has ample experience in Company Law, especially regarding listed companies.

Recommendation 7.-

“That the composition of the Executive Board, when this exists, reflects the same balance as in the Board between the different types of directors, and that the relationships between both bodies is based on transparency, so that the Board is fully aware of the matters treated and the decisions taken by the Committee.”

The Board of Directors up to date has not created an Executive Board of Directors. The size and characteristics of the workings of the Board of Directors of the Company has not made it necessary to develop said Committee, as the Board of Directors of the Company, is adequate to assume decision making with efficiency and speediness that the Company requires.

Recommendation 8.-

“That the Board of Directors establishes in its sphere, committees delegated with control, solely composed of non-executive directors, in matters of information and accounting (Auditing; selection of directors and top management (Appointments); setting and reviewing the remuneration policy (Remuneration) and evaluating the system of governance (Compliance).”

The Company only has one delegated committee, the Audit Committee which assumes the supervision of accounting matters.

Recommendation 9.-

“That the necessary measures are adopted to ensure that directors have in plenty of time sufficient information, specifically drawn up and focused so that they can be prepared for meetings of the Board, without exempting from this, except in exceptional circumstances, the importance or reserved nature of the information.”

The Directors maintain permanent contact with each other and especially with the Chairman who continually informs of how the business is being run. However, the necessary information for each meeting of the Board of Directors is given to them by electronic mail at least 48 hours before the Board of Directors meeting takes place

Recommendation 10.-

“That , in order to ensure the Board’s adequate functioning, its meetings are held with the necessary frequency to fulfil its mission; the Chairman will encourage participation and the free taking of positions; particular care will be taken in drawing up the minutes and at least every year the quality and efficiency of the work will be evaluated”.

As a general rule the Board of Directors meets 4 times a year and in said meetings relative questions regarding the Company are debated with complete freedom. The members of the Board of Directors adopt with complete liberty the decisions, which they find most appropriate for the issues submitted for their consideration. The Company Secretary takes the minutes of the meeting and will be reflected in a diligent manner, the actual events of the meetings.

Recommendation 11.-

“That the Board’s participation in the selection and re-election of its members follow a formal and transparent procedure, on the basis of a reasoned proposal of the Appointments Committee.”

To date, the Appointments and Remuneration Committee has not been constituted, thus, the appointment of new Directors is proposed in the Shareholders’ Meeting by the Board of Directors. The proposal is based on the personal characteristics and professional qualifications of the new Director to be appointed.

Recommendation 12.-

“That the Companies include in their regulations the obligation to resign in cases that could negatively affect the working of the Board or the company’s name and reputation.”

This recommendation is followed.

Recommendation 13.-

“That an age limit is set for the post of Director of the Board.-

This recommendation has been reviewed and there is no age limit established for the post of Director, even though when they reach the age of 70 years, they must put their post at the service of the Board, which I ratify it.

Recommendation 14.-

“That the right of all Directors to gather and obtain information is formally recognised and the necessary advice to fulfil supervisory functions, and adequate channels are established for the exercise of this right, including external experts in special circumstances.”

This recommendation is followed and said right is also foreseen in the Board of Directors Code of Conduct.

Recommendation 15.-

“That the remuneration policy for the directors, whose proposal, evaluation and review must be done by the Remuneration Committee, reflects moderation, a relationship with the company’s income and detailed and individualised information.”

This is partially followed as the criteria employed by the Company to establish the remuneration of the Directors is adjusted to the recommendation and are proposed by the Company’s Chief Financial Officer to the Board of Directors so that they can submit this proposal for the Board’s decision.

Recommendation 16.-

“That the internal regulations set out the obligations of directors arising from the general duties of diligence and loyalty, contemplating, in particular, conflict of interest situations, the duty of confidentiality, taking advantage of business opportunities and the use of social assets.”

This recommendation is complied with, as said duties and measures to avoid conflicts of interests are included in the Board of Directors Code of Conduct and the Internal Code of Conduct.

Recommendation 17.-

“That the Board of Directors promote the adoption of opportune measures to extend the duties of loyalty to significant shareholders, establishing particularly, cautionary measures for the transactions between them and the company.”

This recommendation is complied with, as said measures are included in the Internal Code of Conduct.

Recommendation 18.-

“That measures are taken to make the mechanism for the delegation of votes more transparent and strengthen the Company’s communication with its shareholders, in particular investor shareholders.”

This recommendation is complied with. The mechanism to carry out the delegating of votes on behalf of the shareholders is specifically regulated in the Board of Directors Code of Conduct. For this reason, the Company disposes of an Office for the shareholders where their queries will be attended.

Recommendation 19. -

“That the Board, beyond requirements imposed by prevailing regulations, takes responsibility for supplying the markets with quick, precise and reliable information, particularly when it concerns the shareholder structure, substantial changes to the rules of governance, linked operations of importance and treasury stock.”

The recommendation is followed, the Board of directors is responsible to provide the market with relevant information related to the Company.

Recommendation 20.-

“That all regular financial information which, as well as the annual report to the markets is drawn up in accordance with the same principles and professional practices as the yearly accounts and, before being disseminated, is verified by the Audit committee.”

This recommendation is followed.

Recommendation 21.-

“That the Board of Directors and the Audit Committee watch out for situations that could put at risk the independence of external auditors and, specifically, verify the percentage represented by the fees for all concepts out of the firm’s total revenue and that the public is informed of those services different from those of auditing.”

This recommendation is followed.

Recommendation 22.-

“That the Board seeks to ensure that the accounts that it draws up are not present to a Shareholders Meeting with a qualified opinion by the auditing firm, and that when this is

not possible both the Board of Directors as well as the auditors explain clearly to shareholders and the markets the content and scope of the discrepancies.”

This recommendation is followed.

E. OTHER INFORMATION OF INTEREST

The Company is not submitted to any Legislation different to the Spanish one as far as concerns the Corporate Governance

This Corporate Governance Annual Report is a free translation of the original Report in Spanish language, which been approved by the Board of Directors, in their meeting held on 31 March 2005. In case of discrepancy, the Spanish version prevails.

None of the Directors have voted against or have abstained from voting the approval of this Report.