

**REPORT AND PROPOSAL OF ALL THE MEMBERS OF THE BOARD OF DIRECTORS  
OF DOGI INTERNATIONAL FABRICS, S.A. REGARDING THE PROPOSAL TO  
CORRECT AND RATIFY AND, WHERE APPLICABLE, READOPT THE AGREEMENTS  
ADOPTED BY THE LAST EXTRAORDINARY GENERAL SHAREHOLDERS MEETING  
HELD ON 15 DECEMBER 2006, WHICH SHALL BE SUBMITTED TO THE  
EXTRAORDINARY GENERAL SHAREHOLDERS MEETING WITH THE FIRST CALL  
FOR 27 JANUARY 2007 AND THE SECOND CALL FOR 29 JANUARY 2007 REGARDING  
THE FIRST MATTER ON THE AGENDA**

**1. Justification of the proposal**

In accordance with the provisions laid down in Articles 144, 152 and, 153.1 of the Spanish Limited Companies Act, the Board of Directors hereby presents this report to justify the proposal it intends to submit to the Extraordinary General Shareholders Meeting regarding the correction and ratification and, where applicable, the re-adoption of the agreements adopted by the General Shareholders Meeting held on 15 December 2006 regarding the powers bestowed on the Board of Directors with the power to transfer the powers it receives from the Extraordinary General Shareholders Meeting so that, within the term of five years from the date of approval, an increase can be agreed in the share capital of the company on one or more occasions to a maximum of fifty percent (50%) of the share capital at the time of the authorisation by means of cash provisions with or without an issue premium, all in accordance with the provisions laid down in Article 153.1.b) of the Spanish Limited Companies Act.

The purpose of the aforementioned powers is to authorise the Board of Directors to increase the company's share capital up to the legally established limits in order to collect funds on the market to complete the investments laid down in the company's business plan.

In particular, the Board of Directors of DOGI INTERNATIONAL FABRICS, S.A. is to use the powers bestowed in its favour to obtain the resources required to take over the American trading company EFA HOLDINGS LLC, under the terms and conditions laid down in the letter of intent signed on 14 November 2006, without prejudice to the application for additional funds to complete other short- and mid-term investments laid down in the company's business plan.

**2. Proposal of Agreement to the General Shareholders Meeting**

To delegate in favour of the Board of Directors with the power to transfer the powers it receives from the General Shareholders Meeting to the Managing Director or the person considered suitable so that, within the maximum term of five years from the date of approval, an increase can be agreed in the share capital of the company on one or more occasions to a maximum of fifty percent (50%) of the share capital at the time of the authorisation by means of cash provisions with or without an issue premium, all in accordance with the provisions laid down in Article 153 1.b) and corresponding articles of the Spanish Limited Companies Act.

El Masnou, 21 December 2006.