



## Results for the first half of 2006

**Operating result (EBIT) of the Group: +1.2 million euros**  
**Net income, group share: +1 million euros**  
**Success of the financial restructuring**

The economic conditions in the first half of 2006 showed improvement compared to the first two quarters of 2005: a slight strengthening of the euro and a solid dynamic in the Asian markets, particularly for the DMC Creative World branch.

<i>(in millions of euros)</i>	<i>1<sup>st</sup> half of 2006</i>	<i>1<sup>st</sup> half of 2005</i>
<b>Turnover</b>	<b>99.5</b>	<b>104.1</b>
Operating margin	2.3	1.9
Other revenues and operating costs	(1.1)	(2.3)
<b>Operating result (EBIT)</b>	<b>1.2</b>	<b>(0.4)</b>
<b>Net consolidated earnings</b>	<b>0.6</b>	<b>(2.3)</b>
<b>Net income, group share</b>	<b>1.0</b>	<b>(2.1)</b>

### **Branch Business activity**

#### **DMC Creative World**

The operating margin of DMC Creative World increased to 4.0 million euros compared to 1.8 million euros in the first half of 2005. Turnover remains stable at 43.2 million euros. In Asia, the branch business activity continues to advance (+31.6%), especially in China and Japan where the Group has strengthened its local partnerships. In Europe, the general situation was in sharp contrast (-6.5%) but with strong development in the new

DMC distribution channels including mass-market retailers (Carrefour, Leclerc, FNAC, etc.), and chain stores that specialize in the leisure sector (Leroy-Merlin in Italy, House Fraser in the UK, etc.). In the United States, despite the continued stock reduction in retail channels, business remains stable.

The redefinition of the marketing and sales strategy, implemented in late 2005 by the new team, is producing its first positive effects: the launch of a new line of thread called "Variation" and continued entry in the distribution channels of mass-market retailers and stores specialized in the leisure sector. Finally, the centralization of four European logistics centers in Mulhouse should generate substantial savings from the last quarter of 2006 onwards.

## **Sportswear**

The operating margin of Sportswear fell from 2.9 million euros to 1.9 million euros, with turnover of 42.6 million euros, a decline of 11.6%. This drop mainly involves the North American market, due to the closing of the Orangeburg factory. The corduroy season, which is continuing, remains strong due to the creativity and exclusiveness of the collections offered.

The Group continues to seek partnerships for this business, while giving priority to the discussions with the Kohinoor Group.

## **Loisirs & Création**

The development of the chain store Loisirs & Création has been slowed by the sharp drop in beads, despite solid advances made in the "decorative papers" sector (+17%). However, overall the chain remains in a growth phase. In this context, the chain has undertaken an extensive renewal of its product range.

Loisirs & Création recorded a negative operating margin of -1.7 million euros after taking into account pre-opening costs. Turnover reached 13.7 million euros, up by 8.4%, and fell by 5.2% for a comparable surface area.

In the first half of 2006, Loisirs & Création proceeded to open two new stores in Le Havre (in March) and Valenciennes (in April). This brings the total number of stores to 21.

## **The Group**

After the consolidation of the dyeing and logistics operations of Sportswear business activities in Alsace, the Group has held negotiations with property investors for the sale of land and a range of industrial buildings in Mulhouse which were no longer required for operations, thereby making the redevelopment of a new industrial site possible.

## **Success of financial operations**

The market operations launched in July 2006 were executed successfully and enabled DMC to reduce its debt substantially, strengthen its equity, and equip itself with the means of its future development.

A capital increase with maintenance of the preferential subscription right for 14.1 million euros and the issue of a new convertible bond with maintenance of the preferential subscription right for 26.9 million euros were launched. Upon completion of these operations subscribed to at 90% and 91% respectively, the “protooled” debt of 56.8 million euros was reduced to 19 million euros and invested capital was strengthened significantly, rising to 27.6 million euros.

As the three principal shareholders of the Group, which represent approximately 34% of capital, have underwritten the capital increase, their interest remains relatively stable: Pienza International SA at 18.9%, AGF Vie at 10.2%, and CDC at 5.1%

## **Perspective**

While it may be early to give forecasts for the full results of the 2006 financial year, these should nevertheless meet the objective of substantial improvement on those of 2005.

Paris, 7 September 2006

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