



**FINANCIAL STATEMENTS  
AT 31 DECEMBER 2006**

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DeA Capital SpA  
Registered Office: Via Borgonuovo, 24, 20121 Milan, Italy  
Share capital: € 102,158,200 (fully paid in)  
Tax code, VAT code and Milan company registry n. 07918170015

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Notice of Ordinary session of Shareholders' Meeting

**DeA Capital SpA**

Registered Office: Via Borgonuovo, 24, 20121 Milan, Italy

Share capital: € 102,158,200 (fully paid in)

Tax code, VAT code and Milan company registry n. 07918170015

A company managed and co-coordinated by De Agostini S.p.A., Via G. da Verrazzano, 15  
Novara

Notice of Shareholders' Meeting<sup>1</sup>

The Shareholders are convened to the Annual Meeting to be held at the Spazio Chiossetto, at Via Chiossetto 20, Milan, Italy on **April 24, 2007 at 11.00 a.m.**, and then if required, on **April 26, 2007** at the same time and place, in order to discuss and consider the following:

1. The financial statements of DeA Capital SpA at December 31, 2006; Directors' Report on the 2006 financial year; Report of the Board of Auditors; Report of the Board of Independent Auditors. Related discussions.
2. Proposal to adopt the standing orders governing shareholders' meetings. Related discussions.

Pursuant to current legislation, only those shareholders presenting the specific certification as stipulated through authorized intermediaries, at least two days before the Meeting, may take part in the Meeting.

Shares are not available until the end of the Shareholders' Meeting.

Documentation relating to the order of business, prepared in accordance with current legislation, is available to the public at Company headquarters and from Borsa Italiana SpA, and on the Company website [www.deacapital.it](http://www.deacapital.it). Shareholders' have the right to obtain this documentation.

DeA Capital SpA

The Board of Directors

Renzo Pelliccioli, Chairman

<sup>1</sup> Notice published in the daily newspaper II Sole 24 Ore of March 23, 2007

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## **DeA Capital S.p.A.**

### **Company Details**

DeA Capital S.p.A. – A company managed and co-coordinated by De Agostini S.p.A.  
Registered Office: Via Borgonuovo, 24, 20121 Milan, Italy  
Share capital: € 102,158,200 (fully paid in), comprising 102,158,200 shares (of which 1,000 are in the company portfolio) with a value of € 1 each  
Tax code, VAT code and Milan company registry n. 07918170015

### **Board of Directors (\*)**

<b>Executive Chairman</b>	Renzo Pellicoli
<b>Chief Executive Officer</b>	Paolo Ceretti
<b>Directors</b>	Lino Benassi <sup>(°)</sup> Rosario Bifulco Claudio Costamagna <sup>(° / §)</sup> Alberto Dessy <sup>(# / §)</sup> Marco Drago Roberto Drago Paolo Scaroni <sup>(§)</sup>

### **Board of Auditors (\*)**

<b>Chairman</b>	Angelo Gaviani
<b>Principal Auditors</b>	Gian Piero Balducci Cesare Andrea Grifoni
<b>Alternate Auditors</b>	Andrea Bonafè Maurizio Ferrero Giulio Gasloli
<b>Independent Auditors</b>	KPMG S.p.A.

<sup>(\*)</sup> Mandated for the 2007-2009 three year period

<sup>(°)</sup> Member of the Audit Committee

<sup>(#)</sup> Member and Coordinator of the Audit Committee - Lead Independent Director

<sup>(§)</sup> Independent Director

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## **Introduction**

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Dear Shareholders,

On December 1, 2006, De Agostini SpA signed agreements with Romed International SA (hereafter "Romed") and Banca Intermobiliare di Investimenti e Gestioni S.p.A. ("hereafter BIM") for the purchase of shares in Cdb Web Tech SpA (now DeA Capital SpA, hereafter "the Company" or "the Parent Company"). 47,280,000 shares were purchased from Romed and 4,950,000 from BIM, representing a total of 51.1% of the share capital of the Company.

The agreements were completed with the transfer of the shares on January 11, 2007, when the required legal antitrust authorization was received.

De Agostini SpA paid € 2.86 per share, bringing the total value of the transaction to € 149.4 million.

Having bought the controlling share, De Agostini SpA promoted a compulsory public offer to purchase the remaining shares in the Company not held by it, pursuant to Articles 102 and 106, Paragraph 1, of Legislative Decree No. 58/1998 and the provisions of the Issuers' Regulations No. 11971/1999, as subsequently modified and integrated.

The price was equivalent to € 2.874 per share, calculated as the rounded average between:

- a) the price per share paid to Romed and BIM;
- b) the weighted average of stock market prices over the 12 months prior to the announcement of the agreement between De Agostini SpA and Romed /BIM (December 1, 2005 – November 30, 2006)

The offer was initiated on February 27, 2007 and was concluded on March 19, 2007 with 373,017 shares involved, representing 0.4% of Company share capital. The total amount paid was € 1.1 million, paid by De Agostini on the third working day of the stock market following the date of conclusion of the offer (March 22, 2007).

Since purchasing the shares involved in this offer, De Agostini SpA holds 51.5% of the share capital of the Company.

\* \* \*

On January 30, 2007, an ordinary and extraordinary meeting was held and decided – in addition to other matters – to carry out the following:

- the adoption of the new Company name, DeA Capital S.p.A.;
- the transfer of the company registered office to Milan;
- the appointment of new company bodies, specifically new members of the Board of Directors and Board of Auditors, for the three-year period 2007-2009.

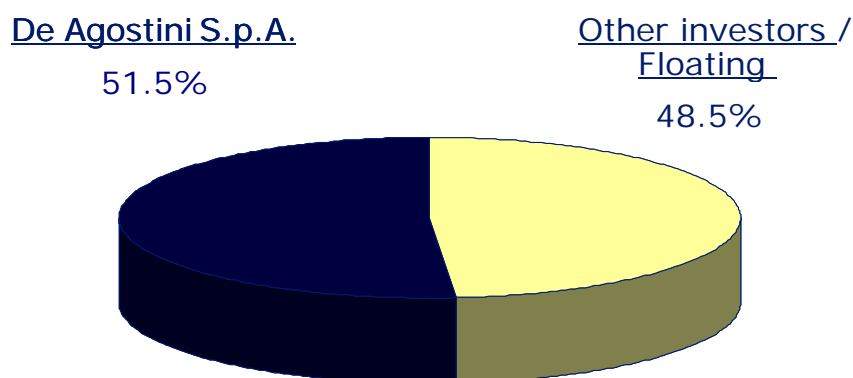
The Board of Directors, meeting to conclude their duties at the shareholders' meeting, conferred ordinary and extraordinary administration powers on the Chairman and the Chief Executive Officer, with sole and joint signatory powers within determined limits.

At the same meeting, the Board of Directors also noted that the Company, being under the control of De Agostini S.p.A., is subject to its management and co-ordination.

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## Shareholding Structure and 2006 Share Performance

### ➤ Shareholding Structure (\*)



(\*) Post completion of compulsory public offer to purchase promoted by De Agostini SpA. The percentages are currently being updated by CONSOB.

### ➤ 2006 Share Performance (°)



(°) Source: Bloomberg.



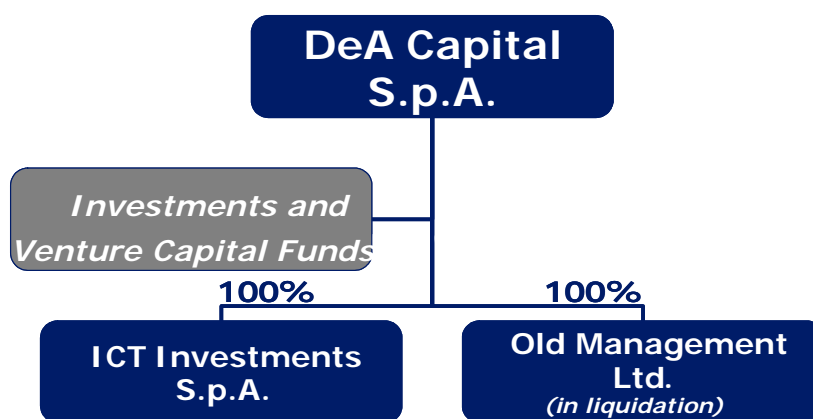
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## **Directors' Report**

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## 1. DeA Capital Group

At the date of preparation of this Directors' Report, the DeA Capital Group is structured as follows:



Group activities are primarily concentrated in DeA Capital SpA, which holds:

- **The entire share capital of ICT Investments SpA and Old Management Ltd.**, neither of which is in operation;
- **Minority interests in three US companies**, operating in Biotech (Elixir Pharmaceuticals Inc.), ICT (MobileAccess Networks Inc.) and Printed Circuitry (Kovio Inc.)
- **Investments in 8 venture capital funds**;
- **Other investments**, comprising cash and cash equivalents, securities, financial receivables.

This structure was determined by:

- The sale of the entire investment in Cdb Web Tech International LP and Cdb Private Equity LP, companies through which almost all Group venture capital fund investments and direct investments were carried out.
- The sale on March 21, 2007 of the investment in BIM Alternative Investments SGR SpA, equivalent to 50% of the share capital.

Of note, further details on both sales can be found in the "Key events of 2006" section of this report.

Regarding business development for 2007, the Company is currently formulating its strategic development guidelines, partly on the basis of direction by the controlling shareholder, De Agostini SpA.

Of note, DeA Capital SpA plans to carry out diversified investment activity, in keeping with company objectives and in order to utilize specific financial investment skills developed and the resources which De Agostini SpA intends to make available to the Company. DeA Capital SpA plans to focus on the following types of investment:

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- Companies, mostly unlisted, with high value creation potential, through share purchases, including majority shareholdings, in joint ventures with partners or operating alone.
  - Private equity “funds of funds”, being funds which comprise shares in private equity funds rather than direct investments in companies. These funds tend to be highly diversified, with management focus on the selection of funds for the portfolio on the basis of set parameters of size, geography, etc.
  - “co-investment funds”, being funds investing directly in companies, with other qualified investors (specifically private equity funds)

Of note, the objective of the Company investment policy will be the construction of a portfolio of investments with a high level of diversification in terms of product, sector and geography. The medium term has been deemed most attractive, in relation to value creation, although initiatives with other time profiles will not be excluded.

It is expected that investments will be realized using Company resources and external financing.

The Company plans to maintain a light corporate structure, in keeping with the development policy detailed above, simultaneously ensuring adequate management controls. In this regard, DeA Capital SpA will be assisted by various management support services offered by the controlling shareholder De Agostini SpA, under a specific contract, set at market rates.

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➤ **Functional currency for the preparation of the annual and quarterly Company financial statements**

When the Company adopted the IAS/IFRS international accounting standards (hereafter "IAS/IFRS"), the provisions of IAS 21 in particular opened a debate relating to the identification of the functional currency for the Company for the preparation of the annual, quarterly and half-yearly financial reports

In particular, paragraph 8 of IAS 21 defines as functional currency "*the currency of the primary economic environment in which the entity operates*". The definition is restated in the paragraph 9 of the same principle, which identifies the primary economic environment in which the entity operates as that in which the majority of Company revenue is generated and employed.

The choice of functional currency, when the primary economic environment is not immediately identifiable, requires a valuation to be made by Company management. Paragraphs 9-11 give guidelines in this regard.

On the basis of valuations made in light of activities carried out, and following a series of appeals to CONSOB and the Independent Auditors at that time (PricewaterhouseCoopers SpA, until the financial statements at December 31, 2005), from the date of IAS/IFRS adoption, the Company adopted the US dollar as its functional currency, primarily due to the following factors:

- Venture capital comprised the Company's primary activity ;
- This activity had led to the construction of a considerable funds portfolio, mostly denominated in US dollars;
- Investments and revenues relating to assets in the Company portfolio were primarily denominated in US dollars.

Since 2005, (first time adoption January 1, 2004), the Company has prepared consolidated financial statements using the US dollar as the functional currency and the financial statements at December 31, 2006 have also been prepared on this basis.

However, Italian legislation dictates that an Italian company, independent of the functional currency identified for the purposes of IAS/IFRS, present its end of year and quarterly financial statements in Euro. The Company has therefore, carried out translations of US dollar balances into Euro (further details can be found in the notes to the financial statements presented below).

In view of these matters, and the sale during the fourth quarter of 2006 of the entire share held in Cdb Web Tech International LP and Cdb Private Equity LP (companies which held the bulk of Company venture capital fund investments and direct investments), and the change of ownership during January 2007, a series of new valuations have been undertaken by Management in order to identify the functional currency of the Company for the preparation of its consolidated financial statements from 2007 onwards.

Of note:

- With the sale of Cdb Web Tech International LP and Cdb Private Equity LP (further information can be found in "Key events of 2006" section below), the Company sold the majority of its US dollar denominated investments.
- Following the change of ownership, the Company is currently formulating its strategic development guidelines, partly on the basis of direction by the controlling shareholder,

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De Agostini SpA. As discussed above, the Company activity will no longer focus on venture capital and hedge fund management (denominated mostly in US dollars), rather on direct investments and fund of funds/co-investments (mostly focusing on the Euro zone). As a result, during the first few months of 2007 the Company requested redemption of the Company share in eight of the eleven hedge funds in the Company portfolio.

In view of the results of the analysis carried out, from January 2007, being the date of change of ownership of the Company, and on the basis of the strategic development guidelines expressed by the new owner, the primary economic environment of DeA Capital SpA and its subsidiaries will no longer be that of the US dollar, rather it will be the Euro zone.

As a result, the Company has deemed it possible to define the Euro as the new functional currency from January 2007. The consolidated financial statements will, therefore, be calculated and presented in Euro, starting with the quarterly report at March 31, 2007.

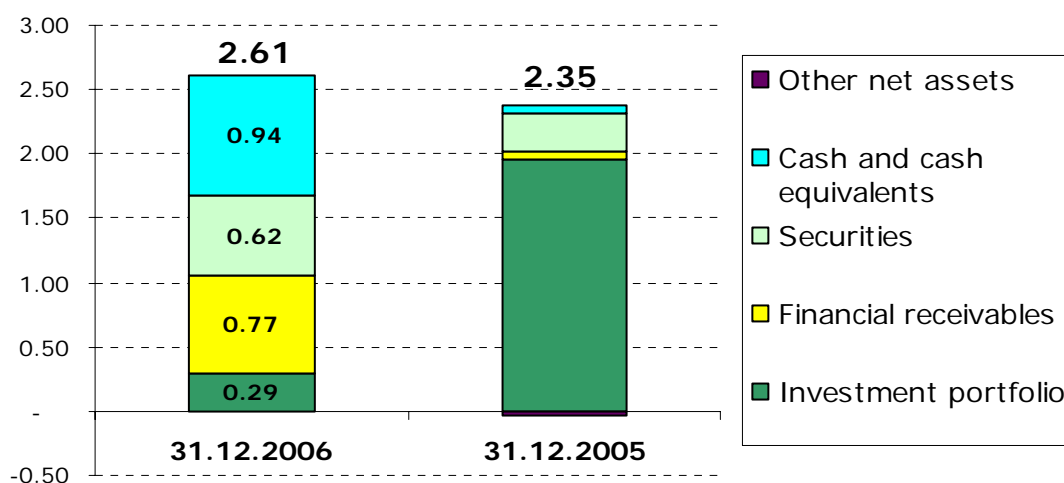
## 2. Key Group financial data

(€ millions)	2006	2005
<b>NAV / Share <sup>(a)</sup></b>	<b>2.61</b>	<b>2.35 <sup>(b)</sup></b>
<b>Group net profit</b>	<b>86.5</b>	<b>(28.9)</b>
<b>Parent Company net profit</b>	<b>85.6</b>	<b>(31.9)</b>
<b>Parent Company Statement of Performance – IAS 1</b>	<b>24.9</b>	<b>10.9</b>
<b>Investment Portfolio</b>	<b>29.3</b>	<b>197.3</b>
<b>Net Financial Position</b>	<b>238.2</b>	<b>42.2</b>

(a) in Euro.

(b) Adjusted following the distribution of dividends in the form of shares of the subsidiary Management & Capitali SpA that took place on June 19, 2006.

### ➤ NAV Breakdown / Shares per asset type (in €)



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### 3. Key events of 2006

#### ➤ **Distribution of Management & Capitali shares**

On June 19, 2006, based on the deliberations of the extraordinary meeting on March 31, 2006, the Company distributed dividends in the form of shares of the subsidiary Management & Capitali S.p.A. (henceforth M&C).

The summary details of the transaction are the following:

- Share assignment ratio 1 ordinary M&C share per every 2 ordinary Company shares;
- Nominal value of each M&C share distributed € 1 (equal to the investment made by the Company);
- Distribution of capital reserves of € 50.8 million.

The M&C shares were tradable on the market as from the dividend distribution date.

#### ➤ **Finalization of Transfer Agreement with Pantheon Ventures Ltd.**

On August 18, 2006, an agreement was signed for the transfer of the entire shareholding held by the Company in Cdb Web Tech International LP and Cdb Private Equity LP to Monteverdi Ltd., a limited partnership managed by Pantheon Ventures Ltd., a large international fund of private equity fund management company and a player on the secondary fund market.

The majority of the venture capital and investment funds directly owned by the Company was contained within the two shareholding portfolios, i.e. 91 funds and 8 minority shareholding interests. The transfer of the shareholdings took place on October 31, 2006, the date of the contract's closing.

The transfer price was approximately \$US 276.3 million, paid at the contract's closing, except for \$US 104 million the payment of which was deferred to December 14, 2007 and supported by a first demand bank guarantee given by a leading international bank.

The Company gave guarantees to Pantheon Ventures Ltd for the transfer, in line with international contract practices, particularly regarding the legal ownership of the investments made, in respect of the conditions of the contracts governing them, and the undisclosed liabilities not included in the related financial figures and tax forms.

The reasons for the transaction, as discussed at the Shareholders' Meeting of September 25, 2006, are linked in part to the following factors:

- Price. The price paid to the Company by the purchaser, equivalent to 20% of the NAV of the funds sold, made the sale of the funds on the secondary market extremely convenient, as sales are usually carried out at a discount. In quantitative terms, on the basis of historic data, the price paid for the funds would correspond to their expected performance for at least the next three years.
- Overcommitment. Prior to this operation the Company found itself with capital commitments to funds which exceeded its financial assets. Furthermore, in order to invest in the best funds, the Company had to make further commitments for the 2007-2008 two year period, increasing the over-commitment situation already in place prior to the transfer. Subsequent to the transfer, the over-commitment situation was reversed, as Pantheon Ventures Ltd assumed the residual commitments relating to the venture capital funds acquired (at closing, equivalent to US\$ 152 million)

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Following the transfer, with the revenue generated by the price paid in relation to price adjustment by Pantheon Ventures Ltd, subsequent to closing cash and cash equivalents totaling US\$ 311 million were lodged in Company accounts.

In view of the book value of the two investments, the positive effect on Company net equity was US\$ 44 million. In the income statement, the release of the fair value reserve relating to these investments established in previous years generated net capital gains of US\$ 89 million (€ 70 million).

On the basis of the valuation, at the date of preparation of this Directors' Report, of the guarantees granted by the Company, no provisions have been made to offset capital gains realized.

➤ **Signing of Agreement for the Transfer of the Shareholding (50%) in BIM Alternative Investments SGR SpA**

On November 10, 2006 the Company signed an agreement with BIM to sell its shareholding in BIM Alternative Investments SGR SpA, equivalent to 50% of the share capital. This agreement was concluded on March 21, 2007 when the necessary authorization was obtained from Banca d'Italia (as per the related Measure of March 7, 2007).

The total price, paid on closing, was € 3.5 million, against a book value recorded in the consolidated financial statements at December 31, 2006 of € 2.0 million.

➤ **Stock Options Exercised**

During 2006, stock options on 1,101,750 Company shares were exercised, 601,850 of which were exercised during the 4<sup>th</sup> quarter 2006 (for a total value of approximately € 2.5 million).

Following this, at December 31, 2006 stock option plans were exercisable on a total of 376,050 shares (further details can be found in the notes to the financial statements)

At the date of the preparation of this Directors' Report, the options exercisable were 373,300, of which 324,550 related to specific increases in share capital.

Of note, as a result of the acquisition by De Agostini S.p.A. of the control of the Company, all current stock option plans became exercisable.

The effects of the early exercising period of these plans were already recorded in the income statement for 2006, with a total charge of € 0.4 million.



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## 4. Analysis of consolidated financial results

### ➤ Reference Market Update

During 2006, the Company's reference market was the venture capital market, though since the finalization of the agreement to transfer the majority of its assets in venture capital funds and minority shareholdings, its exposure to that market has been significantly reduced (further detail can be found in "Key events for 2006")

At December 31, 2006, the Company portfolio held 8 venture capital funds (89 at the end of 2005), with a total book value of € 26.5 million (against € 179.9 million at December 31, 2005).

Against this background, subsequent to the sale of most Company investments to Pantheon Ventures Ltd, the Company has not taken on any further commitments, nor carried out any direct investments, investing exclusively in existing commitments.

In the venture capital industry, 2006 saw strong growth in capital collected by funds (US\$ 28.5 billion in the US alone, the highest figure since 2001 and the so-called "internet bubble") and in venture capitalist investment (US\$ 25.5 billion, an increase of over 12% on the previous year). Europe too saw a record year with € 4.1 billion in start-up and early stage companies (the largest since 2002), as did Israel (a highly developed venture capital market) and the Asian markets (particularly the funds and investments relating to China and India). With this increase in capital raised and invested, the trend toward investing in a smaller number of companies, recorded in the last few years, particularly in the US, has been confirmed. A natural consequence of this trend has been an increased level of capital invested per company.

This same growth trend occurred to an even larger extent in buy-out, mezzanine, turn-around and secondary funds, which in the US alone collected approximately \$US 103 billion in 2006, more than 10% growth on the previous year.

In the US, according to figures published by Thomson Financials / NVCA, during 2006, 335 merger and/or acquisition operations (M&A) were carried out by venture capital backed companies, down from 347 the previous year.

58 venture capital backed companies carried out an IPO during 2006, against 56 during 2005 (with inflows during 2006 of US\$ 5.3 billion, against US\$ 4.4 billion during 2005)

IPOs in the US remained at 2005 levels, confirming the slowdown on previous years due to the effect of the Sarbanes-Oxley Law which significantly increased IPO and listing costs for companies. Significant growth in new listings on the London Stock Exchange, mostly relating to companies not backed by venture capital, served to further highlight this US phenomenon. At the same time, IPOs of venture capital backed companies on the London AIM market were confirmed as being more of a means to raise capital rather than an exit for investors.

In Europe, the M&A market was particularly active, as was the IPO market for companies financed through buy-out and mezzanine funds.

➤ **Assets in portfolio**

The trend of direct investments in DeA Capital Group minority shareholdings (direct investments) and commitments to venture capital funds, mostly held by the Parent Company, is shown in the following table:

<b>Investments and commitments</b>				
	<i><b>December 31, 2006</b></i>		<i><b>December 31, 2005</b></i>	
	<b>no.</b>	<b>US\$ m</b>	<b>no.</b>	<b>US\$ m</b>
Direct investments	3	3.7	12	20.7
Venture capital funds	8	34.9	89	213.0
<b>Total investments</b>		<b>38.6</b>		<b>233.7</b>
<i>Venture Capital: residual commitments</i>	5	5.1	79	168.8

At December 31, 2006, the reduction in both the number of companies invested (-9) and of venture capital funds in portfolio (-81) since the end of 2005 reflects the transaction finalized during the year involving the sale of all shares in Cdb Web Tech International LP and Cdb Private Equity LP, that held most Group financial assets.

**Direct Investments**

At December 31, 2006 the Company had a minority shareholding in three companies, operating in ICT, Biotech and Nanotechnology. The total value of these shareholdings was, at December 31, 2006, \$US 3.7 million (€ 2.8 million as presented in the consolidated financial statements).

The following table shows the book value and shareholding percentage for each of these three companies at December 31, 2006:

<b>Company</b>	<b>HQ</b>	<b>Sector – Business Activity</b>	<b>December 31, 2006 (US\$ m)</b>	<b>% owned</b>
Elixir Pharmaceuticals Inc.	USA	Biotech	1.3	1.23
MobileAccess Networks Inc.	USA	Information & Communication Technology	1.0	2.43
Kovio Inc.	USA	Nanotechnology - Printed Circuitry	1.4	3.04

- ***Elixir Pharmaceuticals Inc.***

Established in 1999, based in Cambridge, Massachusetts, USA, Elixir Pharmaceuticals Inc. is a bio-pharmaceuticals company focusing on the development and commercialization of medicines for the cure and prevention of metabolic disorders (obesity and diabetes) and illnesses connected with aging.

- **MobileAccess Networks Inc.**

MobileAccess Networks Inc., based in Virginia, USA, develops, produces and commercializes solutions relating to the extension of wireless coverage (mobile phones, PCs, WiFi and other systems) to remote areas and places where coverage is difficult.

- **Kovio Inc.**

Kovio Inc., based in Silicon Valley, USA, is developing a new type of semiconductor, using so-called printed circuitry. This new development combines the low costs and high productivity of printing as the printed circuitry allows for the large scale manufacture of semiconductors at costs significantly lower than current standards.

**Venture capital funds**

At December 31, 2006 the Company had investments in 8 venture capital funds, with a total value of US\$ 34.9 million (€ 26.5 million, as presented in the consolidated financial statements)

Residual commitments relating to these funds (being further capital commitments) total US\$ 5.1 million (€ 3.8 million at end of year exchange rates).

Venture capital funds in the Company portfolio at December 31, 2006 can be analyzed as follows:

Venture Fund	Jurisdiction	Year of Commitment	Fund Size	Commitment	Dea Capital % in the fund
<b>Dollars</b>					
Doughty Hanson & Co Technology	England EU	2004	236.700.000	1.925.000	,81
GIZA GE Venture Fund III	Delaware U.S.A.	2003	211.680.000	10.000.000	4,72
Israel Seed III	Cayman Islands	2003	40.000.000	4.000.000	10,00
Israel Seed IV	Cayman Islands	2003	200.000.000	5.000.000	2,50
Pitango Venture Capital II	Delaware U.S.A.	2003	125.000.000	5.000.000	4,00
Pitango Venture Capital III	Delaware U.S.A.	2003	387.172.000	5.000.000	1,29
Total Dollars				<u>30.925.000</u>	,00
<b>Euro</b>					
Nexit Infocom 2000	Guernsay	2000	66.325.790	3.819.167	5,76
<b>Sterling</b>					
Amadeus Capital II	England EU	2000	235.000.000	13.500.000	5,74
<b>Residual Commitment</b>					
Total outstanding investments denominated in:		Euro		3.842.931	
Total outstanding investments denominated in:		US\$		5.072.223	

Capital distributions totaling US\$ 2.4 million (US\$ 1.3 million during 2005) were received from venture capital funds in the Company portfolio during 2006, generating capital gains of US\$ 1.7 million (US\$ 0.9 million during 2005) and a return of 4 times the capital invested. Of note, these figures do not include dividends received from funds transferred to Pantheon Venture Ltd. prior to their sale (classified as "operations sold" from January 1, 2006).

The value of venture capital investments in the Company portfolio at December 31, 2006 reflects the estimated fair value calculated on the basis of information available at the date of preparation of this Directors' Report.

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**Management performance – Direct Investment and Venture Capital Funds**

Management performance for the assets in portfolio at December 31, 2006 – not including those sold during the year, classified as “operations sold” from January 1, 2006 – can be analyzed as follows. Of note, values are in Euro, as presented in the consolidated financial statements.

<i>(€ millions)</i>	<b>December 31, 2006 (12 months)</b>	<b>December 31, 2005 (12 months)</b>
Direct investments	2.8	2.8
Residual commitments to venture capital funds	3.8	7.1
New venture capital funds	0	0
Investments in venture capital funds	26.5	23.0
Distributions received from venture capital funds	1.9	1.1
Capital gains on distributions	1.6	0.7

**“Assets held for sale” – BIM Alternative Investments SGR SpA**

BIM Alternative Investments SGR, owned 50% by the Company (with the other 50% owned by BIM), manages hedge funds and funds of hedge funds. At December 31, 2006 equity under management totaled € 305 million.

As reported above in the “Key Events of 2006” section in the Directors’ Report, on November 10, 2006 the Company signed an agreement with BIM to sell BIM its 50% shareholding in BIM Alternative Investments SGR SpA. This agreement was concluded on March 21, 2007 when the necessary authorization from the Bank of Italy had been obtained (as per the related Measure of March 7, 2007)

The total price, paid on closing, was € 3.5 million, against a book value recorded in the consolidated financial statements at December 31, 2006 of € 2.0 million.

In view of the agreements signed to sell the entire investment in BIM Alternative Investments SGR SpA, the income and assets of this company have been classified as “operations held for sale” in the consolidated financial statements at December 31, 2006, as required by IFRS 5 - Discontinued Operations.

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➤ **Analysis of consolidated results – Income Statement**

Group net profit for the 2006 financial year totaled € 86.5 million, against losses of € 28.9 million for 2005. This result is largely due to the **capital gains of € 70 million** realized with the sale, detailed above, of the majority shareholding in two UK limited partnerships to Pantheon Ventures Ltd.

Of note, the loss recorded during 2005 reflected primarily the charge to the income statement of derivative contracts established to cover FOREX risk on investments.

Details relating to the main items which shaped the financial results for 2006 are disclosed below, with the related figures for 2005.

Of note, the comparison between the results for the two years is heavily influenced by the assets sold, visible in the “operations sold” item in the 2006 Income Statement compared to the corresponding items in the 2005 Income Statement. For increased transparency, notes to individual items are also presented on the basis of an unchanged consolidation scope.

<b>(€ millions)</b>	<b>December 31, 2006 (Twelve months)</b>	<b>December 31, 2005 (Twelve months)</b>
Net income / (expenses) relating to non-current assets	1.7	11.1
Net income / (expenses) relating to current assets	13.0	(32.2)
Fair value adjustment of current financial assets	1.2	(1.9)
Other income / (expenses)	(5.0)	(3.2)
Results of operations sold/ held for sale	75.6	(2.7)
<b>Group net profit</b>	<b>86.5</b>	<b>(28.9)</b>

Income / (expenses) relating to non-current assets, being direct investments and venture capital investments, recorded income of € 1.7 million for the 2006 financial year, down from € 11.1 million for the previous year (which was, however, net of income related to operations sold during 2006). On the basis of an unchanged consolidation scope, expenses of € 0.4 million relating to non-current assets for 2005 would have been recorded.

Income / (expenses) relating to current assets shows income of € 13.0 million for the 2006 financial year, against expenses of € 32.2 million for 2005 (largely due to the effect of contracts relating to FOREX risk coverage). On the basis of an unchanged consolidation scope, expenses of € 24.9 million relating to current assets for 2005 would have been recorded.

Fair value adjustment of current financial assets shows a positive effect, totaling € 1.2 million, against a negative € 1.9 million for 2005. On the basis of an unchanged consolidation scope, a negative balance of € 2.1 million for fair value adjustments of current financial assets for 2005 would have been recorded.

Other income/ (expenses), showing expenses for 2006 of € 5.0 million, up from € 3.2 million for 2005, is mostly due to increased consultancy and services costs. On the basis of an unchanged consolidation scope, expenses of € 3.4 million for 2005 would have been recorded.

Results of operations sold/ held for sale shows profit of € 75.6 million for 2006, largely due to the capital gains realized with the sale of the UK subsidiaries. The loss of € 2.7 million recorded for 2005 referred to the economic effect of Management & Capitali SpA.

The Group financial situation for the 2006 financial year, compared to that for the previous year, is detailed in the following table. As detailed above, the comparison between the two year is heavily influenced by the assets sold, classified as "operations sold" in the 2006 Income Statement and the corresponding figures in the 2005 Income Statement. For increased transparency, a Reclassified Income Statement has been prepared in accordance with IFRS 5, which includes 2005 figures, restated net of operations sold/held for sale during 2006, on the basis of an similar consolidation scope across the two years. This Reclassified Income Statement can be found below with the consolidated financial statements at December 31, 2006.

### Consolidated Income Statement

		Full Year 2006	Full Year 2006
		Euro / 000	
<i>FINANCIAL INCOME AND EXPENSES</i>			
NET FINANCIAL INCOME/(EXPENSES) ON NON-CURRENT ACTIVITIES		1.714,0	( 351,2)
<i>NET FINANCIAL INCOME /(EXPENSES) ON CURRENT ACTIVITIES</i>			
a	FINANCIAL INCOME	16.482,6	6.443,7
b	FINANCIAL EXPENSES	( 3.512,9)	( 31.349,6)
TOTAL FINANCIAL INCOME/(EXPENSES) ON ORDINARY ACTIVITIES		12.969,7	( 24.905,9)
<i>TOTAL INCOME/(EXPENSES) FROM INVESTMENT ACTIVITY</i>		14.683,7	( 25.257,1)
REVALUATIONS AND WRITEDOWNS OF CURRENT FINANCIAL ACTIVITIES		1.174,4	( 2.114,2)
<i>TOTAL INCOME, EXPENSE AND WRITEDOWNS</i>		<b>15.858,1</b>	<b>( 27.371,3)</b>
Operating revenues	<i>Total operating revenues</i>	1.422,0	49,6
Operating expenses	<i>Operating expenses</i>	( 6.302,3)	( 3.340,7)
<i>OPERATING LOSS</i>		<b>( 4.880,3)</b>	<b>( 3.291,1)</b>
PROFIT/(LOSS) BEFORE TAX		10.977,8	( 30.662,4)
Income tax		( 135,9)	( 85,5)
PROFIT/(LOSS) FOR THE PERIOD		<b>10.841,9</b>	<b>( 30.747,9)</b>
Earnings per share, basic		0,8566	( 0,2883)
Earnings per share, diluted		0,8559	( 0,2875)

The figures in the above table are taken directly from the financial statements, as integrated into the related notes.

At December 31, 2006 net financial income and expenses, and financial investments per geographic area, can be analyzed as follows:

<i>(€ millions)</i>	<b>Total</b>	<b>USA</b>	<b>Israel</b>	<b>Europe</b>
<b>Net finance income/ expenses</b>	1.7	0.1	0.9	0.7
<b>Investment portfolio</b>	29.3	2.8	9.1	17.4

The effect of various types of investment on the Income Statement for the 2006 financial year can be analyzed as follows:

<i>(€ millions)</i>	<b>Capital gains / losses</b>	<b>Value adjustments</b>	<b>Total</b>
- Direct investments	0.1	-	0.1
- Hedge funds	0.2	1.2	1.4
- Venture capital	1.6	-	1.6
<b>Total</b>	<b>1.9</b>	<b>1.2</b>	<b>3.1</b>
- Operations sold / held for sale	75.6	-	75.6
<b>Total</b>	<b>77.5</b>	<b>1.2</b>	<b>78.7</b>

## ➤ Analysis of consolidated results – Balance Sheet

The table below summarizes the consolidated balance sheet at December 31, 2006, compared to the end of 2005. Pursuant to IFRS 5, assets/liabilities held for sale, comprising 50% of BIM Alternative Investments SGR's corporate capital, are disclosed separately.

### Consolidated Balance Sheet

		31-dic-06	31-dic-05
		Euro / 000	
<b>ASSETS</b>			
Non-current assets			
Intangible assets		17,9	47,1
Property, plant and equipment		63,7	60,1
	<i>Total</i>	<u>81,6</u>	<u>107,2</u>
Investments			
Subsidiary companies		-	-
Other companies		2.795,8	17.442,7
Venture capital funds		26.463,1	179.897,1
Credits		-	-
	<i>Total investments</i>	<u>29.258,9</u>	<u>197.339,8</u>
Deferred income tax		15,1	14,8
	<i>Total other Assets</i>	<u>15,1</u>	<u>14,8</u>
Deferred tax benefits			
	<i>Total non-current assets</i>	<u>29.355,6</u>	<u>197.461,8</u>
Current assets			
Cash and bank		95.914,7	26.631,8
Current financial activities		63.671,7	29.814,0
Receivables		79.193,5	7.467,5
	<i>Total current activities</i>	<u>238.779,9</u>	<u>63.913,3</u>
	<i>Total current assets</i>	<u>238.779,9</u>	<u>63.913,3</u>
<b>TOTAL ASSETS net of assets to be disposed</b>		<u>268.135,5</u>	<u>261.375,1</u>
Assets to be disposed		2.969,3	55.430,8
<b>TOTAL ASSETS</b>		<u>271.104,8</u>	<u>316.805,9</u>
Equity and liabilities			
<b>EQUITY</b>			
Share capital		102.157,2	100.512,7
Share premium		8.035,6	96.779,0
Legal reserve		20.398,3	1.916,3
Fair value reserve		6.337,8	22.125,8
Translation adjustment		( 10.253,4)	14.730,5
Other reserves		53.653,1	56.363,1
		<u>78.171,4</u>	<u>191.914,7</u>
Total Other reserve			
Retained earnings/(losses)		41,5	23.213,7
Gain for operations		10.841,9	( 26.218,1)
Gain for operations to be disposed		75.656,1	( 2.689,5)
Profit/(loss) for the year		86.498,0	( 28.907,6)
Total equity		<u>266.868,1</u>	<u>286.733,5</u>
Minority interests		-	5.201,2
Total group and minority interests		<u>266.868,1</u>	<u>291.934,7</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		-	-
Provisions for employee termination benefits		75,1	83,4
	<i>Total non-current liabilities</i>	<u>75,1</u>	<u>83,4</u>
Current liabilities			
Short term financial payables		-	20.109,9
Trade payables		2.530,6	940,7
Tax liabilities		412,1	259,8
Other payables		213,4	556,7
	<i>Total current liabilities</i>	<u>3.156,1</u>	<u>21.867,1</u>
<b>Total liabilities</b>		<u>3.231,2</u>	<u>21.950,5</u>
Liabilities to be disposed		1.005,5	2.920,7
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>271.104,8</u>	<u>316.805,9</u>

The figures in the above table are taken directly from the financial statements, as integrated into the related notes.



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### Non-current assets

Company non-current assets at December 31, 2006 totaled € 29.4 million, (€ 197.5 million at December 31, 2005) comprising:

- Investments in three companies and eight venture capital funds, for a total of € 29.3 million.
- Tangible and intangible assets of € 0.1 million.

Movements in non-current assets during the 2006 financial year were affected mostly by the sale to Pantheon Ventures Ltd of the two UK partnerships through which the bulk of Company direct investments and venture capital fund investments were carried out.

Of note, no deferred tax assets have been established against related Company tax losses, as it was not deemed likely that in successive financial years taxable profits against which these losses could be recouped.

### Current Assets

Company current assets at December 31, 2006 totaled € 238.8 million, up from € 63.9 million at the end of 2005, comprising:

- Cash and cash equivalents of €95.9 million (€26.6 million at December 31 2005);
- Hedge funds and other securities of €17.7 million (€29.0 million at December 31, 2005);
- Debt securities totaling €46.0 million (zero at December 31, 2005);
- Receivables of €79.2 million, including €78.6 million in financial receivables (€7.5 million at December 31, 2005).

The increase in current assets during the 2006 financial year is largely due to the deposit relating to the sale to Pantheon Ventures Ltd of the two UK partnerships, detailed above.

### Operations sold / held for sale

This item refers to the investment in BIM Alternative Investments SGR SpA, listed in accordance with the provisions of IFRS 5 – Discontinued operations.

This treatment follows an agreement between BIM and the Company, concluded when the Company sold its shareholding in BIM Alternative Investments SGR SpA. This agreement was concluded on March 21, 2007 when the necessary authorization was obtained from Banca d'Italia (as per the related Measure of March 7, 2007).

The total price, paid on closing, was € 3.5 million, against a book value recorded in the consolidated financial statements at December 31, 2006 of € 2.0 million.

### Net equity

At December 31, 2006, Group net equity totaled € 266.9 million, (entirely attributable to the Group), down from € 291.9 million at December 31, 2005 (Group share € 286.7 million).

Movements in consolidated net equity during the 2006 financial year reflect profit for the year and the distribution of dividends, as shares in Management & Capitali SpA, of € 50.8 million

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from the share premium reserve during June 2006 (the minority interest in share capital was subsequently written down to zero).

Further details regarding movements in net equity can be found in the notes to the financial statements here presented.

### Liabilities

Liabilities at December 31, 2006 were almost all short term and totaled € 3.2 million (€ 21.9 million at the end of 2005), mostly comprising trade payables. The decrease during the 2006 financial year reflects the reimbursement of lines of credit which were in place at the end of 2005, utilizing revenue from the sale to Pantheon Ventures Ltd of the two UK subsidiaries.

### ➤ Analysis of consolidated results – Net Financial Position

At December 31, 2006 the Company had net financial assets of € 238.2 million, as shown in the following table, with a breakdown according to type of asset, and a comparison with the results from December 31, 2005:

(€ millions)	December 31, 2006	December 31, 2005	Change
Other liquidity (bank deposits)	95.9	26.6	69.3
Securities	63.7	29.8	33.9
Financial receivables	78.6	5.9	72.7
Financial payables	-	(20.1)	20.1
<b>TOTAL</b>	<b>238.2</b>	<b>42.2</b>	<b>196.0</b>

The increase in net financial assets was largely determined by the proceeds (paid + receivable) relating to the sale of the two British partnerships as part of the transaction with Pantheon Ventures Ltd, and the transfer of liquidity from those subsidiaries prior to their sale (since they are excluded from the scope of the sale).

Other liquidity refers to bank deposits. Of note, this figure far exceeds residual capital commitments to venture capital funds currently in the Company portfolio (US\$ 5.1 million, being € 3.8 million at end of year exchange rates).

Securities, totaling € 63.7 million at December 31, 2006, comprise:

- CCTs (for € 30.1 million), maturing in April 2009;
- Hedge funds (€ 17.7 million);
- Listed corporate bonds (€ 15.9 million), issued by leading Italian companies.

Financial receivables, totaling €78.6 million at December 31, 2006, mostly comprise receivables from Pantheon Ventures Ltd. related to an extension of the sale price terms (US\$ 104 million, supported by a first demand bank guarantee given by a leading international bank). Of note, this credit is fully covered against any possible changes in the €/US\$ exchange rate until its payment.

Group net financial position at December 31, 2006 can be analyzed as follows:

(€ millions)	December 31, 2006	December 31, 2005	Change
DeA Capital S.p.A. (formerly Cdb Web Tech S.p.A.)	237.8	(5.5)	243.3
ICT Investments S.p.A.	0.1	0.1	-
Old Management Ltd.	0.3	0.9	(0.6)
BIM Alternative Investments SGR S.p.A. (*)	-	1.1	(1.1)
Cdb Web Tech International LP (**)	-	45.3	(45.3)
Cdb Private Equity LP (**)	-	0.3	(0.3)
<b>TOTAL</b>	<b>238.2</b>	<b>42.2</b>	<b>196.0</b>

(\*) Listed as "Operations sold / held for sale" at December 31, 2006.

(\*\*) Sold during 2006.

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## 5. Analysis of Parent Company financial results

The Parent Company DeA Capital SpA operates as an investment holding company, carrying out co-ordination, development and strategic management of subsidiary companies, and carries out a diversified range of direct investments in companies and funds.

During 2006, the Company sold its entire shareholding in Cdb Web Tech International LP and Cdb Private Equity LP, the companies through which the majority of Company venture capital investments and direct investments were made (further details of the sale of these investments can be found in the "Key events of 2006" section of this report).

The financial performance of the Company for the year ended December 31, 2006 can be analyzed as follows.

### ➤ Analysis of Parent Company financial results – Income Statement

Parent Company net profit for the 2006 financial year totaled € 85.6 million, against a loss of € 31.9 million for 2005. This result is largely due to the **capital gains of € 70 million** realized with the sale, detailed above, of the majority shareholding in two UK limited partnerships to Pantheon Ventures Ltd.

Of note, the loss recorded during 2005 reflected primarily the charge to the income statement of derivative contracts established to cover FOREX risk on investments.

Details relating to the main items which shaped the financial results for 2006 are disclosed below, with the related figures for 2005.

<i>(€ millions)</i>	<b>December 31, 2006 (Twelve months)</b>	<b>December 31, 2005 (Twelve months)</b>
Net income / (expenses) relating to non-current assets	1.7	(0.4)
Net income / (expenses) relating to current assets	13.0	(24.8)
Fair value adjustment of current financial assets	1.1	(2.1)
Other income / (expenses)	(4.9)	(1.9)
Results of operations sold/ held for sale	74.7	(2.7)
<b>Net profit/(loss)</b>	<b>85.6</b>	<b>(31.9)</b>

Income / (expenses) relating to non-current assets, being direct investments and venture capital investments, recorded income of € 1.7 million for the 2006 financial year, against € 0.4 million for the previous year.

Income / (expenses) relating to current assets shows income of € 13.0 million for the 2006 financial year, against expenses of € 24.8million for 2005 (largely due to the effect of contracts relating to FOREX risk coverage).

Fair value adjustment of current financial assets returns a positive effect, totaling € 1.1 million, against a negative € 2.1 million for 2005.

Other income/ (expenses), showing expenses for 2006 of € 4.9 million, up from € 1.9 million for 2005, is mostly due to increased consultancy and services costs.

Results of operations sold/ held for sale shows profit of € 74.7 million for 2006, largely due to the capital gains realized with the sale of the UK subsidiaries. The loss of € 2.7 million recorded for 2005 referred to the economic effect of Management & Capitali SpA.

Income and expenses for the Parent Company during the 2006 financial year are presented in the following table along with the comparable figures for 2005.

## DeA Capital SPA

### Income Statement

	Full Year 2006	Full Year 2005
NET FINANCIAL INCOME/(EXPENSES) ON NON-CURRENT ACTIVITIES	1.645.655	( 351.151)
NET FINANCIAL INCOME /(EXPENSES) ON CURRENT ACTIVITIES		
- FINANCIAL INCOME		
- FINANCIAL EXPENSES		
Total financial income	16.458.673	6.629.894
Total financial expenses	( 3.451.821)	( 31.444.673)
TOTAL FINANCIAL INCOME/(EXPENSES) ON ORDINARY ACTIVITIES	13.006.852	( 24.814.779)
TOTAL INCOME/(EXPENSES) FROM INVESTMENT ACTIVITY	14.652.507	( 25.165.930)
REVALUATIONS AND WRITEDOWNS OF CURRENT FINANCIAL ACTIVITIES		
TOTAL ADJUSTMENTS TO FINANCIAL ACTIVITIES	1.137.003	( 2.114.232)
TOTAL INCOME, EXPENSE AND WRITEDOWNS	15.789.510	( 27.280.162)
Operating revenues		
Total operating revenues	517.740	538.217
Operating expenses		
Operating expenses	( 5.421.025)	( 2.486.417)
OPERATING LOSS	( 4.903.285)	( 1.948.200)
PROFIT/(LOSS) BEFORE TAX	10.886.225	( 29.228.362)
Income tax	-	-
PROFIT/(LOSS) FOR THE PERIOD	10.886.225	( 29.228.362)
Loss for operations to be disposed - Group (Management & Capitali)	74.697.077	( 2.690.931)
PROFIT/(LOSS) FOR THE PERIOD	85.583.302	( 31.919.293)
Earnings per share, basic	0,8475	( 0,3184)
Earnings per share, diluted	0,8469	( 0,3174)

The figures in the above table are taken directly from the financial statements, as integrated into the related notes.

## ➤ Analysis of Parent Company financial results – Balance Sheet

The table below summarizes the Parent Company balance sheet at December 31, 2006, compared to the end of 2005. Pursuant to IFRS 5, assets/liabilities held for sale, comprising 50% of BIM Alternative Investments SGR's corporate capital, are disclosed separately.

### DeA Capital SPA

#### Balance Sheet

	31-dic-06	31-dic-05
	Euro / 000	
<b>ASSETS</b>		
Non-current assets		
Intangible assets	17.943	30.632
Property, plant and equipment	43.438	39.118
<i>Total</i>	<u>61.381</u>	<u>69.750</u>
Investments		
Subsidiary companies	292.986	235.342.874
Other companies	2.795.831	2.802.396
Venture capital funds	26.463.131	22.972.269
Credits	-	-
<i>Total investments</i>	<u>29.551.948</u>	<u>261.117.539</u>
Deferred tax benefits		
<i>Total non-current assets</i>	<u>29.613.329</u>	<u>261.187.289</u>
Current assets		
Cash and bank	95.512.374	5.801.786
Current financial activities	63.671.741	5.692.208
Receivables	78.994.639	3.986.925
<i>Total financial activities</i>	<u>238.178.754</u>	<u>15.480.919</u>
Deferred income tax	-	-
<i>Total other Assets</i>	<u>-</u>	<u>-</u>
<i>Total current assets</i>	<u>238.178.754</u>	<u>15.480.919</u>
<b>TOTAL ASSETS net of assets to be disposed</b>	<u>267.792.083</u>	<u>276.668.208</u>
Assets to be disposed	733.120	47.158.550
<b>TOTAL ASSETS</b>	<u>268.525.203</u>	<u>323.826.758</u>
Equity and liabilities		
<b>EQUITY</b>		
Share capital	102.157.200	100.512.700
Share premium	8.035.635	96.778.984
Legal reserve	20.398.326	1.916.341
Fair value reserve	6.337.848	41.648.379
Translation adjustment	( 9.896.400)	15.472.654
Other reserves	53.021.346	55.550.238
<i>Total Other reserves</i>	<u>77.896.755</u>	<u>211.366.596</u>
Retained earnings/(losses)	-	6.172.532
Loss for operations	10.886.225	( 29.228.362)
Loss for operations to be disposed	74.697.077	( 2.690.931)
Profit/(loss) for the year	85.583.302	( 31.919.293)
<i>Total equity</i>	<u>265.637.257</u>	<u>286.132.535</u>
<b>LIABILITIES</b>		
Non-current liabilities		
Deferred tax liabilities	-	-
Provisions for employee termination benefits	75.114	55.774
<i>Total non-current liabilities</i>	<u>75.114</u>	<u>55.774</u>
Current liabilities		
Short term financial payables	-	20.109.900
Trade payables	2.519.635	415.045
Tax liabilities	267.210	84.505
Other payables	25.987	17.028.999
<i>Total current liabilities</i>	<u>2.812.832</u>	<u>37.638.449</u>
<b>Total liabilities</b>	<u>2.887.946</u>	<u>37.694.223</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>268.525.203</u>	<u>323.826.758</u>

The figures in the above table are taken directly from the financial statements, as integrated into the related notes.

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### Non-current assets

Company non-current assets at December 31, 2006 totaled € 29.6 million, (€ 261.2 million at December 31, 2005) comprising:

- Investments in subsidiary companies of € 0.3 million;
- Investments in three companies and eight venture capital funds, for a total of € 29.3 million;
- Tangible and intangible assets of € 0.1 million.

Movements in non-current assets during the 2006 financial year were affected mostly by the sale to Pantheon Ventures Ltd of the two UK partnerships through which the bulk of Company direct investments and venture capital fund investments were carried out.

Of note, no deferred tax assets have been established against related Company tax losses, as it was not deemed likely that in successive financial years taxable profits against which these losses could be recouped.

### Current Assets

Company current assets at December 31, 2006 totaled € 238.2 million, up from € 15.5 million at the end of 2005, comprising:

- Cash and cash equivalents of €95.9 million (€5.8 million at December 31 2005);
- Hedge funds and other securities of €17.7 million (€5.7 million at December 31, 2005);
- Debt securities totaling €46.0 million (zero at December 31, 2005);
- Receivables of €79 million, including €78.6 million in financial receivables (€4.0 million at December 31, 2005).

Parent Company net financial assets at December 31, 2006 totaled € 237.8 million, and can be analyzed as follows:

(€ millions)	December 31, 2006	December 31, 2005	Change
DeA Capital S.p.A.	237.8	(5.5)	243.3
<b>TOTAL</b>	<b>237.8</b>	<b>(5.5)</b>	<b>243.3</b>
	<b>December 31, 2006</b>	<b>December 31, 2005</b>	<b>Change</b>
Cash and cash equivalents	95.5	5.8	89.7
Financial receivables	78.6	3.1	75.5
Shares	63.7	5.7	58.0
Financial payables		(20.1)	20.1
<b>TOTAL</b>	<b>237.8</b>	<b>(5.5)</b>	<b>243.3</b>

The increase in current assets during the 2006 financial year is largely due to the payment relating to the sale to Pantheon Ventures Ltd of the two UK partnerships, detailed above.

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### Operations sold / held for sale

This item refers to the investment in BIM Alternative Investments SGR SpA, listed in accordance with the provisions of IFRS 5 – Discontinued operations.

This treatment follows an agreement between BIM and the Company, concluded when the Company sold its shareholding in BIM Alternative Investments SGR SpA. This agreement was concluded on March 21, 2007 when the necessary authorization was obtained from Banca d'Italia (as per the related Measure of March 7, 2007).

The total price, paid on closing, was € 3.5 million, against a book value recorded in the consolidated financial statements at December 31, 2006 of € 2.0 million.

### Net equity

At December 31, 2006, Company net equity totaled € 265.6 million, down from € 286.1million at December 31, 2005.

Movements in consolidated net equity during the 2006 financial year reflect profit for the year and the distribution of dividends, as shares in Management & Capitali SpA, of € 50.8 million from the share premium reserve during June 2006 (the minority interest in share capital was subsequently written down to zero).

Further details regarding movements in net equity can be found in the notes to the financial statements here presented. A reconciliation statement for the Parent Company net equity and the consolidated net equity is also presented.

### Liabilities

Company liabilities at December 31, 2006 were almost all short term and totaled € 2.8 million (€ 37.7 million at the end of 2005), mostly comprising trade payables. The decrease during the 2006 financial year reflects the reimbursement of lines of credit which were in place at the end of 2005 with banks and Group companies for € 20.1 million and € 17 million respectively. The reimbursement of these lines of credit utilized proceeds from the sale to Pantheon Ventures Ltd of the two UK subsidiaries.



## 6. Other information

### ➤ Treasury shares

At December 31, 2006 the Company holds 1,000 treasury shares, with a book value of € 2.524 (taken as a reduction in net equity, pursuant to IAS/IFRS). The details of treasury shares purchased and sold during 2006 can be seen in the following table.

	No. of Shares	% Shares issued	Average Price Euro	Value Euro
Treasury shares at 31/12/2005	585.000	0,578%	2,42	1.415.898
Bought during 2006	707.250		2,370	1.676.406
Sold during 2006	(1.250.000)		2,997	3.746.050
Used for stock option plan	(41.250)		1,850	76.312
Total at 31/12/2006	1.000	0,001%	2,524	2.524
Bought after 01.01.2007	0		0	0
Sold after 01.01.2007	0		0	0
Total at 22/03/2007	1.000	0,001%	2,524	2.524

Of note, no treasury shares were purchased or sold subsequent to December 31, 2006.

Of note, in relation to plans to purchase or sell treasury shares, the Shareholders' Meeting of March 31, 2006 decided to revoke, for the part not yet carried out, the authorization to purchase treasury shares granted by the Shareholders' Meeting of April 27, 2005, for eighteen months from the date of the decision, pursuant to Art. 2357 of the Italian Civil Code, to authorize the purchase treasury shares, to a maximum of 9,000,000 shares or the number of shares the purchase price of which can be covered by the Treasury share acquisition reserve, at a minimum price of € 1 per share and a maximum of € 5.70 per share.

During this meeting, the Shareholders also decided

(i) pursuant to Art. 2357, section 3 of the Italian Civil Code, to authorize the Board of Directors and for them the Executive Chairman and CEO, separately, to designate treasury shares purchased for sale, also prior to the completion of the purchases authorized above, in one or more transactions, using authorized intermediaries, at prices no lower than the last purchase price and the average value

(ii) to authorize the Board of Directors, pursuant to Art. 2357, section 3 of the Italian Civil Code, to designate treasury shares purchased, in one or more transactions, to be paid for by exchange of shares, or for sale via offer to the public and/or the Shareholders, or by setting up vouchers (so-called warrants) and deposit receipts representing shares (American Depositary Receipt and similar), and for allocation to employees, associates and directors of the Company, its subsidiaries and controlling shareholder as part of stock option plans decided by the Board of Directors, at a price no lower than the book value of the shares.

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## ➤ Stock option plans

The Extraordinary Shareholders' Meeting of May 7, 2001 delegated to the Board of Directors the power to increase the share capital in order to facilitate the 2001 stock option plan. At the meeting of April 3, 2003 the Shareholders revoked the decision of May 7, 2001 and delegated to the Board of Directors the power to increase the share capital in order to facilitate the 2003, 2004 and 2005 stock option plans.

Of note, the Shareholders' Meeting of April 30, 2003 gave the Board of Directors, for five years from the date of that meeting:

- The power to carry out a divisible increase in share capital, pursuant to Art. 2439 of the Italian Civil Code, by a maximum of € 1,500,000, with € 940,000 currently remaining, through the issue of a maximum of 1,500,000 ordinary shares in the Company (940,000 currently remain), with a nominal value of € 1.00 each, with the exclusion of pre-emption rights under Art. 2441, section 8, of the Italian Civil Code, to be reserved for the realization of one or more stock option plans, at conditions to be defined by the Board of Directors.
- The power to carry out a divisible increase in share capital, pursuant to Art. 2439 of the Italian Civil Code, by a maximum of € 1,000,000, with € 110,000 currently remaining, through the issue of a maximum of 1,000,000 ordinary shares in the Company (110,000 currently remain), with a nominal value of € 1.00 each, with the exclusion of pre-emption rights under Art. 2441, section 5, of the Italian Civil Code, to be reserved for the realization of one or more stock option plans, at conditions to be defined by the Board of Directors.
- The power to carry out a divisible increase in share capital, pursuant to Art. 2439 of the Italian Civil Code, by a maximum of € 630,000, with € 390,000 currently remaining, through the issue of a maximum of 630,000 ordinary shares in the Company (390,000 currently remain), with a nominal value of € 2.48 each (of which € 1.48 to the share premium), with the exclusion of pre-emption rights under Art. 2441, section 5, of the Italian Civil Code, to be reserved for subscription by each of the Directors who are or will be the holders of 30,000 shares.

As part of these plans, the Board of Directors of the Company has decided on four share capital increases, with the exclusion of pre-emption rights. Of note,

- (i) on May 7, 2001 the Board of Directors authorized an increase in share capital, with the exclusion of pre-emption rights, of € 2,391,333 to be reserved for subscription by directors, employees, managers and associates of the Company and its subsidiary companies.
- (ii) on April 30, 2003 the Board of Directors authorized an increase in share capital, with the exclusion of pre-emption rights, of € 590,000 to be reserved for subscription by directors, employees, managers and associates of the Company and its subsidiary companies.
- (iii) on August 30, 2004 the Board of Directors authorized an increase in share capital, with the exclusion of pre-emption rights, of € 720,000 to be reserved for subscription by directors, employees, managers and associates of the Company and its subsidiary companies.
- (iv) On April 27, 2005 the Board of Directors authorized an increase in share capital, with the exclusion of pre-emption rights, of € 380,000 to be reserved for subscription by directors, employees, managers and associates of the Company and its subsidiary companies.

At December 2006 therefore, the following remain exercisable:

- (i) 12,000 stock options relating to the plan approved during 2001
- (ii) 62,500 stock options relating to the plan approved during 2003, and 48,750 stock options to which the Company has committed, in order to purchase treasury shares on the market
- (iii) 112,000 stock options relating to the plan approved during 2004

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(iv) 140,800 stock options relating to the plan approved during 2005.

At December 31, 2006 therefore, the total number of exercisable stock options is 376,050, of which 327,300 to fulfill authorized share capital increases (further to 48,750 to which the Company committed, to purchase treasury shares on the market).

Given the total number of unexercised and expired stock options in the first months of 2007, at the date of this report, 373,300 stock options remain exercisable, of which 324,550 to fulfill authorized share capital increases (further to 48,750 to which the Company committed, to purchase treasury shares on the market).

Of note, due to the disposal to Pantheon Ventures Ltd, referred to above, all current stock option plans have become exercisable.

The economic effect of the early exercise of these stock option plans has been taken to the Income Statement for 2006, being an expense of € 0.4 million.

#### ➤ **Authorization to increase share capital / Issue of bonds**

Of note, the Shareholders' Extraordinary Meeting of April 20, 2004 gave to the Board of Directors, for a period of five years from the date of the meeting:

- The power to increase the share capital, pursuant to Art. 2443 of the Italian Civil Code, on one or more occasions to a maximum of € 500,000,000, for free and/or by payment, with or without premium, allowing the Directors to set the issue price periodically, and to govern the use and eventual allocation of the share capital increase to facilitate the conversion of debt issued, including those issued by third parties, in Italy and abroad, and for warrants. Powers were also granted to calculate the reserves and funds available to be ascribed to capital and their total, and to define the methods, terms and conditions of the debt issue and related regulations.
- The power to issue bonds in one or more occasions, convertible or with a warrant, even in a foreign currency, if allowed by law, with a related increase in share capital, up to a total which, in view of the number of shares in circulation at the date of the issue decision, does not exceed the limit set by the regulations current at that date. Powers were also granted to define the methods, terms and conditions of the debt issue and related regulations.

#### ➤ **Transactions with Parent Company, Group Companies And Related Parties**

During the 2006 financial year, the Company and the other Group companies did not have any transactions with Romed International SpA (formerly Romed International SA), parent company until January 11, 2007, nor with De Agostini SpA, the parent company following the transaction completed at the start of 2007. Furthermore, the Company did not hold, purchase or sell any shares in the aforementioned companies during 2006.

Transactions between the Company and its subsidiaries involved the provisions of investment consultancy services and management support, at normal market conditions. At the date of preparation of this Directors' Report, a deposit and current account relationship for the management of liquidity is in place with BIM Alternative SGR SpA, regulated at normal market conditions.

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With regard to related parties, on November 10, 2006 the Company signed an agreement with BIM to sell its shareholding in BIM Alternative Investments SGR SpA (a shareholder in the Company at that time, therefore deemed a related party), equivalent to 50% of the share capital. This agreement was concluded on March 21, 2007 when the necessary authorization was obtained from Banca d'Italia (as per the related Measure of March 7, 2007). Further details on this transaction can be found in the notes to the financial statements here presented.

➤ **Direction and co-ordination**

Romed International SpA (formerly Romed International S.A.) was the controlling shareholder of the Company until January 11, 2007, carrying out direction and co-ordination activities in relation to the Company in accordance with Article 2497 of the Italian Civil Code.

Following the acquisition of the controlling shareholding in the Company by De Agostini SpA (formerly Nova S.r.l.) on January 30, 2007, the Board of Directors of the Company noted that the Company would now be subject to the direction and co-ordination of De Agostini SpA (formerly Nova S.r.l.).

The details of the most recent financial statements of Romed International SpA (formerly Romed International S.A.) and De Agostini S.p.A (formerly Nova S.r.l.).

➤ **Research and Development**

Pursuant to Article 2428 para 2 of the Civil Code, it is noted that during 2006, the Company did not carry out any research and development.

➤ **Significant non-recurrent events**

During the 2006 financial year the Group sold investments in venture capital funds in a transaction with Pantheon Ventures Ltd, and disposed of Management & Capitali during August 2006, as detailed earlier in this Report. The effects of this transaction on Group and Company equity, income and cash flow are highlighted in the notes to the financial statements.

➤ **Unusual events / transactions**

No unusual or atypical transactions were carried out during 2006.

➤ **Information regarding "Data Protection Plan" – Processing of personal information**

Art. 34 of Legislative Decree n. 196 of June 30, 2003 requires that when personal information is being processed by electronic communications technology, security measures must be taken, including (in section g), an up-to-date Data Protection Plan in keeping with the provisions of a technical nature in Appendix B to this law.

The Data Protection Plan describes the technical and organisational security measures in place for the protection of personal data in accordance with the law, both in terms of data storage and data management, on the basis of an analysis of the risks, task distribution and responsibilities in the structures in place for the processing of data.

In accordance with the provisions of the aforementioned Legislative Decree, the Company has reviewed and updated the Data Protection Plan.

➤ **Information on shares held by, and remuneration of, members of the Board of Directors, members of the Board of Auditors, General Managers and managers with strategic responsibilities.**

On the basis of disclosures carried out pursuant to current legislation, at the date of this Directors' Report, the members of the current Board of Directors and Board of Auditors do not hold any shares in DeA Capital SpA or its subsidiaries. Furthermore, no shares were held by them at December 31, 2006. No shares are listed in relation to General Managers as at today's date this position is not filled.

Of note, Directors Renzo Pellicoli, Marco Drago, Roberto Drago and Lino Benassi hold shares in B&D Holding di Marco Drago e C. SAPA, a subsidiary of De Agostini SpA (a Company subsidiary) and are party to a shareholders' agreement relating to these shares.

At the date of preparation of this Directors' Report, no stock option plans are in place for members of the Board of Directors or the Board of Auditors in relation to Company shares, as detailed in the following table:

Director	Position	Options outstanding at Jan 1 2006			Options granted during 2006			Options to acquire exercised during 2006			Options lapsed during 2006	Options outstanding at Dec. 31 2006		
		Number of Shares	Average Exercise Price	Average Expiry Date	Numero Opzioni	Average Exercise Price	Average Expiry Date	Number of Shares	Exercise Price	Average Market price for the year	Number of Shares	Numero Opzioni	Exercise Price	Average Expiry Date
De Benedetti Carlo	Chairman	0	-	-	0	-	-	0	-	-	0	0	-	-
Moscatelli Vittorio	CEO	165.000	6,39	4							165.000			
		97.500	4,15	4							97.500			
		450.000	2,48	84,5				350.000	2,148	3,14				
								100.000	2,48	3,15				
		200.000	2,84	104				176.000	2,459	3,01				
								24.000	2,84	3,32				
		<b>912.500</b>			<b>0</b>			<b>650.000</b>			<b>262.500</b>	<b>0</b>		
Bracchi Giampio	Director	8.004	6,39	4							8.004			
		10.000	2,48	16				10.000	2,48	3,56				
		<b>18.004</b>			<b>0</b>			<b>10.000</b>			<b>8.004</b>	<b>0</b>		
Cicurel Michel	Director	8.004	6,39	4							8.004			
		30.000	2,48	16							30.000			
		<b>38.004</b>			<b>0</b>			<b>0</b>			<b>38.004</b>	<b>0</b>		
D'agui Pietro	Director	8.004	6,39	4							8.004			
		30.000	2,48	16				30.000	2,48	3,21				
		<b>38.004</b>			<b>0</b>			<b>30.000</b>			<b>8.004</b>	<b>0</b>		
Girard Franco	Director	8.004	6,39	4							8.004			
		30.000	2,48	16				30.000	2,48	3,21				
		<b>38.004</b>			<b>0</b>			<b>30.000</b>			<b>8.004</b>	<b>0</b>		
Piol Elserino	Director	8.004	6,39	4							8.004			
		30.000	2,48	16				30.000	2,48	3,46				
		<b>38.004</b>			<b>0</b>			<b>30.000</b>			<b>8.004</b>	<b>0</b>		
Segre Massimo	Director	8.004	6,39	4							8.004			
		30.000	2,48	16				30.000	2,48	3,21				
		<b>38.004</b>			<b>0</b>			<b>30.000</b>			<b>8.004</b>	<b>0</b>		
Vaccari Giancarlo	Director	8.004	6,39	4							8.004			
		30.000	2,48	16				30.000	2,48	3,20				
		<b>38.004</b>			<b>0</b>			<b>30.000</b>			<b>8.004</b>	<b>0</b>		
		<b>1.158.528</b>			<b>0</b>			<b>810.000</b>			<b>348.528</b>	<b>0</b>		

At December 31, 2006 the Company did not have any General Managers. Further details on the remuneration of members of the Board of Directors and the Board of Auditors can be found in the notes to the personnel costs in the financial statements.

➤ **Corporate Governance**

In relation to the Corporate Governance structure adopted by DeA Capital SpA in keeping with the provisions of the Corporate Governance Code developed by the Committee for Corporate Governance for Listed Companies, further details can be found in the "Report of the Board of Directors on the adherence to the Code of Corporate Governance for Listed Companies for 2006".

➤ **Outlook and significant post balance sheet events**

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Subsequent to the closure of the 2006 financial year, the controlling shareholding in the Company was purchased by De Agostini SpA. The transaction is described in detail in the Introduction to this Directors' Report.

Furthermore, on March 21, 2007 the agreement signed by the Company with BIM to sell BIM its 50% shareholding in BIM Alternative Investments SGR SpA, was concluded. As planned, the total price, paid on closing, was € 3.5 million, against a book value recorded in the consolidated financial statements at December 31, 2006 of € 2.0 million.

Regarding business development for 2007, the Company is currently formulating its strategic development guidelines.

In keeping with the Company objective and direction received from the controlling shareholder, De Agostini SpA, and with the plan that Company activity will no longer focus on venture capital and hedge fund management (denominated mostly in US dollars), rather on direct investments and fund of funds/co-investments (mostly focusing on the Euro zone), during February 2007 the Company requested redemption of the Company share in eight of the eleven hedge funds in the Company portfolio.

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## 7. Proposal to approve the Financial Statements at December 31, 2006 and the allocation of profit

Dear Shareholders,

It is our belief that the Directors' Report, with the Financial Statements for the Company and the Consolidated Financial Statements for the Group, gives a complete picture of the performance and results achieved during the financial year ended December 31, 2006.

Given that the net profit for DeA Capital SpA for 2006 was € 85,583,302 (against losses of € 31,919,293 for 2005), the Board of Directors proposes that the entire profit be carried forward, net of deductions for other reserves, pursuant to current legislation.

Therefore, we ask your approval of the following text:

The Meeting of the Shareholders of DeA Capital SpA,

- in view of the Company financial statements for the year ended December 31, 2006, recording a profit of € 85,583,302 (against losses of € 31,919,293 for 2005),
- in view of the Directors' Report and the Company financial statements for the year ended December 31, 2006,
- noting the reports of the Board of Auditors and the Independent Auditors,

### DECIDED

1. to approve the financial statements of DeA Capital SpA at December 31, 2006, comprising Balance Sheet, Income Statement and other financial statements, with accompanying notes and Directors' Report;
2. to approve the proposal for the allocation of the profit of € 85,583,302 as follows:
  - to the Legal Reserve € 33,314  
(bringing this reserve to its maximum value, equivalent to 20% of the share capital)
  - Conversion reserve € 1,474,247
  - Profit Carried Forward € 84,075,741

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Milan, March 22, 2007

FOR THE BOARD OF DIRECTORS  
*Executive Chairman*  
Renzo Pellicoli