



**DADA S.P.A. AND DADA GROUP  
FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 31 DECEMBER 2010**

Registered office: Piazza Annigoni, 9b - Florence, Italy  
Share capital: EUR 2,755,711.73 fully paid in  
Florence Companies Register no. Flo17 - 68727; REA no. 467460  
Tax identification/VAT no. 04628270482  
Company Website: [www.dada.dada.net](http://www.dada.dada.net)



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## CORPORATE OFFICERS

The current officers of the Dada Group were elected by the general meeting held on 23 April 2009, for the three-year period 2009-2011.

### BOARD OF DIRECTORS

Alberto Bianchi <sup>1</sup>	Chairman
Barbara Poggiali <sup>2</sup>	CEO
Alberto Bigliardi	Director
Giorgio Cogliati	Director
Alessandro Foti <sup>6</sup>	Director
Claudio Cappon <sup>4</sup>	Director
Lorenzo Lepri <sup>5</sup>	Director
Vincenzo Russi <sup>3</sup>	Director
Salvatore Amato	Director
Monica Alessandra Possa <sup>7</sup>	Director
Matteo Novello	Director
Riccardo Stilli	Director
Danilo Vivarelli <sup>6</sup>	Director
Stanislao Chimenti <sup>8</sup>	Director

<sup>1</sup> On 11 February 2011 Alberto Bianchi, Esq. was co-opted by the Board as a new director following the resignation of Arch. Paolo Barberis and, at the same time, was appointed Chairman of the Company.

<sup>2</sup> Director Barbara Poggiali was named Chief Executive Officer and General Manager by resolution of the Board of Directors on 8 May 2009.

<sup>3</sup> Member of the Internal Control Committee.

<sup>4</sup> Confirmed by the general meeting held on 19 April 2010

<sup>5</sup> Director Lorenzo Lepri was named Chief Corporate Officer and Vice General Manager by resolution of the Board of Directors on 8 May 2009.

<sup>6</sup> Member of the Compensation Committee and Internal Control Committee.

<sup>7</sup> Member of the Compensation Committee.

<sup>8</sup> The Director Stanislao Chimenti was co-opted by the Board on 8 November 2010 after Giorgio Valerio tendered his resignation.

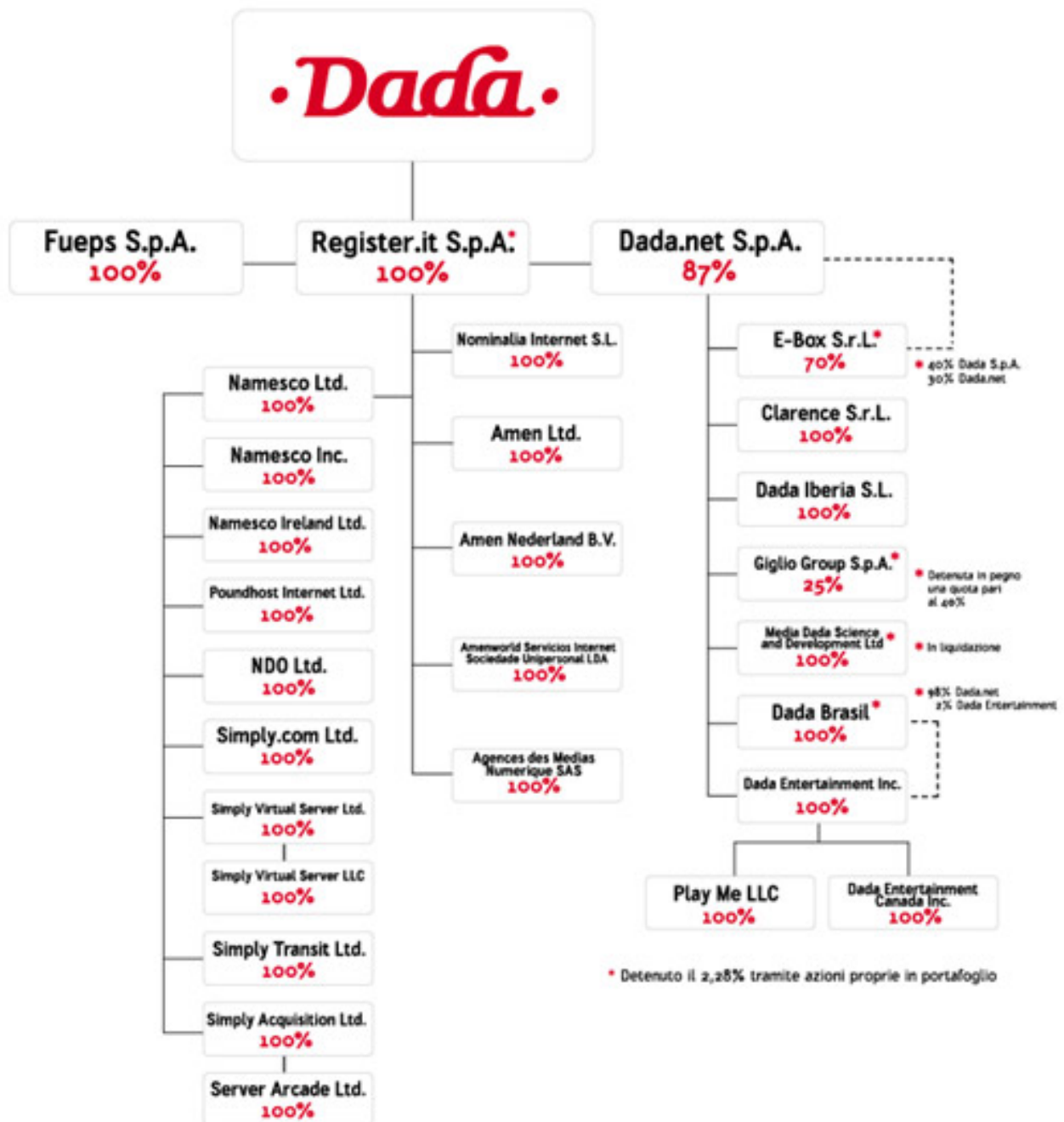
### BOARD OF STATUTORY AUDITORS

Silvio Bianchi Martini	Chairman
Claudio Pastori	Standing auditor
Cesare Piovene Porto Godi	Standing auditor
Michele Galeotti	Alternate auditor
Maria Stefania Sala	Alternate auditor

### EXTERNAL AUDITORS

Ernst & Young

## DADA GROUP STRUCTURE AT 31 DECEMBER 2010



## DADA GROUP FINANCIAL HIGHLIGHTS

### Consolidated income statement (3 months)

<i>(EUR/million)</i>	Q4 2010	Q4 2009
Revenue	37.6	40.1
EBITDA	3.9	4.0
Depreciation and amortization	-3.5	-3.1
Non-recurring charges and impairment	-3.3	-2.3
EBIT	-10.0	-1.4
Group net profit/(loss)	-14.0	5.6

### Consolidated income statement (12 months)

<i>(EUR/million)</i>	31/12/2010	31/12/2009
Revenue	151.5	155.1
EBITDA	14.6	20.5
Depreciation and amortization	-13.3	-11.4
Non-recurring charges and impairment	-4.8	-4.5
EBIT	-11.9	4.6
Group net profit/(loss)	-17.5	6.9

## Consolidated statement of financial position at 31 December 2010

<i>(EUR/million)</i>	<b>31/12/2010</b>	<b>31/12/2009</b>
Net working capital	<b>-10.6</b>	-8.7
Net capital employed	<b>104.0</b>	109.5
Shareholders' equity	<b>56.7</b>	72.8
Net short-term financial position	<b>-22.1</b>	-5.8
Total net financial position	<b>-50.6</b>	-36.7
Number of employees	<b>569</b>	593

## DADA S.p.A. FINANCIAL HIGHLIGHTS

### Income statement (12 months)

<i>(EUR/million)</i>	31/12/2010	31/12/2009
Revenue	8.9	11.3
EBITDA	-2.0	-1.8
Depreciation and amortization	-2.3	-2.5
EBIT	-8.1	-4.7
Group net profit/(loss)	-13.1	-4.1

### Separate statement of financial position at 31 December 2010

<i>(EUR/million)</i>	31/12/2010	31/12/2009
Net working capital	4.0	7.1
Net capital employed	52.0	68.3
Shareholders' equity	40.3	-53.4
Net short-term financial position	-14.1	-14.8



## DIRECTORS' REPORT

### INTRODUCTION

The consolidated financial statements at 31 December 2010 have been prepared in accordance with IAS/IFRS issued by IASB and approved by the European Union, as per the Issuers' Regulation n. 11971 issued by Consob on 14 May 1999, as amended.

Please note that the consolidated financial statements were drafted in accordance with the accounting standards in force when they were prepared.

### DADA GROUP PROFILE

Dada S.p.A., listed in the STAR segment of the Milan Stock Exchange (DA.MI), is an international leader in community and entertainment services via web and mobile, domain and hosting services, and advanced online advertising solutions.

Currently the Dada Group is divided into two business units: **Dada.net** (digital music, entertainment & online gaming via web and mobile) and **Dada.pro** (professional services for online presence and digital advertising). We remind that since the second quarter of 2010, the online gaming business has been incorporated into Dada.net and is no longer its own business segment. The comparison financial statements were reclassified accordingly.

#### **Dada.net**

Dada.net provides consumers with a bouquet of fee-based products and services in the areas of digital music, mobile applications, mobile services, social community, and casual and skill games that can be enjoyed on computers, mobile phones and smartphones in Italy and abroad.

In Italy Dada has launched the improved Play.me digital music service ([www.dada.it](http://www.dada.it)), whose "in the cloud" value proposition involves on-demand streaming, customized playlists and music on the go, accessible virtually anywhere and anytime, even without a mobile connection: using Android and iPhone applications, users have constant access to the playlists they have created via web and to the entire MP3 catalog, which today boasts nearly four million MP3 tracks.

With regard to the development of second-generation mobile services in Italy, in collaboration with Sony Music, Dada has also released an innovative new application for iPhone and iPod Touch that allows unlimited, high-quality listening to an individual artist's entire catalog at an extremely reasonable cost.

Dada continues to build its international presence in the field of value-added services for mobiles through expansion in North America and Latin America, particularly Canada and Mexico. It is currently active in 16 countries: Italy, the USA, Canada, Germany, France, Portugal, Australia, Spain, Belgium, Austria, Brazil, Argentina, Mexico, Hungary, Indonesia and South Africa.

Dada.net also includes: Dada Ent. Inc., active in the U.S. market of value-added services for web and mobile; Giglio Group, which produces and broadcasts two leading music television satellite channels in Italy (Music Box and Live!) and in the second quarter started to broadcast Live! internationally with positive audience figures.

Please note that Bloglo, the most popular vertical blog network in Italy, was sold in February 2011 and, therefore, the assets and liabilities were classified separately as “held for sale” (please refer to the section “Subsequent events” for additional information); the assets of Splinder, an iconic brand in the blogging and social networking industry, were similarly classified.

Lastly, the operations of Fueps relating to the creation, management and development of online gaming services, particularly casual games, are also now part of Dada.net.

### **Dada.pro**

With over 466 thousand business clients and more than 1.6 million domains under management (over 70% of them abroad), Dada.pro is one of the leading names in the registration of Internet domains and the management of online presence for individuals and businesses in Europe. This division includes Register.it, a historical leader in Italy; Nominalia and Namesco, key players in Spain and the U.K., respectively; and the Amen Group, a major presence in France, Spain and Portugal with its own operations in the United Kingdom and Holland.

In January 2010, Dada.pro finalized the acquisition of Poundhost, one of the U.K.'s largest providers of dedicated and virtual hosting services.

Development also continued of Simply ([www.simply.com](http://www.simply.com)), a pay-for-performance online advertising platform developed entirely in-house and available around the globe, which allows users to plan effective advertising campaigns through marketing tools that select the target and analyze results, and gives additional ad revenue opportunities to the owners of websites.

Furthermore, the scalable advertising business, traffic refining through the trading of key words and research queries on the advertising networks, held well thanks to the constant fine-tuning of proprietary algorithms and the close relationship with the world's main ad networks. In 2010 a team dedicated to this business was set-up in Ireland.

Lastly, the management of advertising space continued. Through the Dada Ad brand, in fact, Dada.pro can also develop advertising solutions for Internet and for the UMTS portals of mobile phone carriers.

## PERFORMANCE REVIEW

Dear Shareholders,

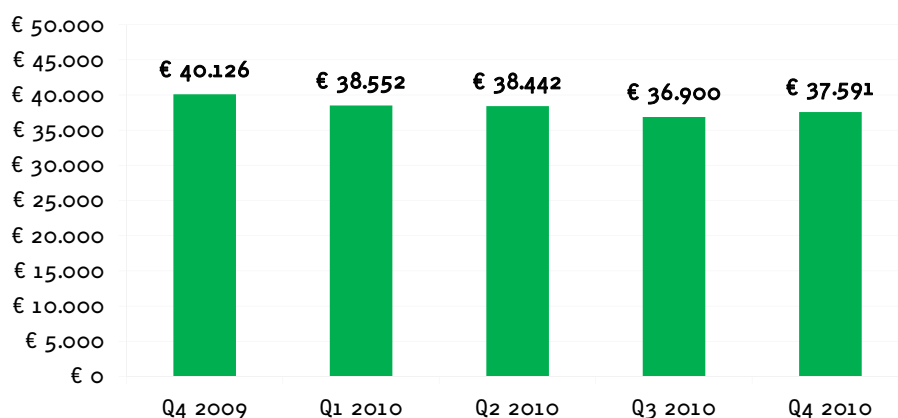
The Dada Group closed 2010 with consolidated revenue of €151.5 million versus €155.1 million in the prior year, a drop of 2%.

In the fourth quarter of 2010 alone, the Dada Group posted consolidated revenue of €37.6 million, a decrease of 6% with respect to the €40.1 million recorded in fourth quarter 2009, while with respect to the third quarter revenue rose 2% to €36.9 million.

The Parent Company Dada S.p.A. closed 2010 with sales of €8.9 million compared to €11.3 million in the prior year, a decrease of 21%. In the fourth quarter, the Parent Company reported sales of €1.9 million, down with respect to the €3.1 million recorded in fourth quarter 2009. As of FY 2008, following significant corporate restructuring, the Parent Company has been focused on providing centralized corporate services to all the Group companies.

The following graph shows the trend in the Dada Group's consolidated revenue over the last five quarters:

### CONSOLIDATED REVENUE BY QUARTER



Consolidated revenue in the year was impacted by the change in the consolidation scope, the effects of which are described below.

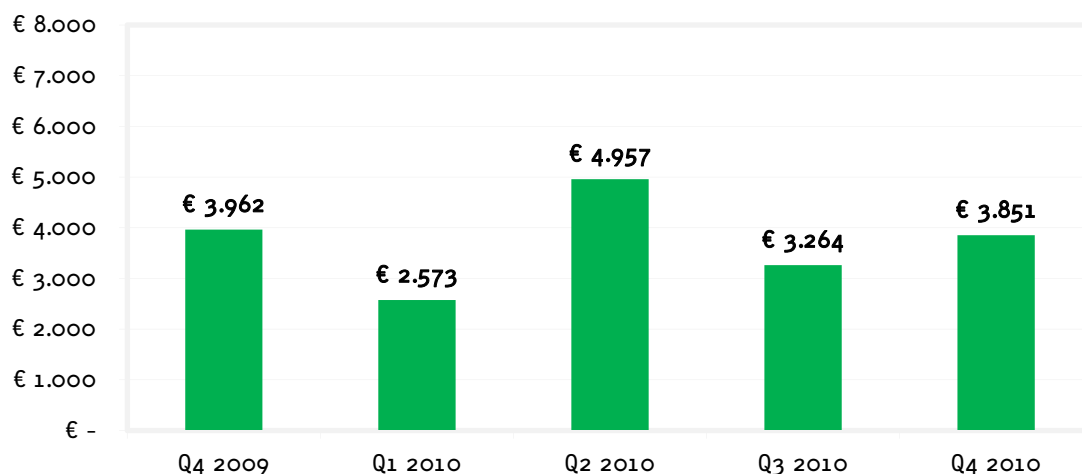
For additional information on the performance by division, please refer to the segment reporting section required by IFRS 8.

The Dada Group's consolidated EBITDA in the year that just closed (gross of impairment losses and other non-recurring items) came to €14.6 million, a decrease of 28% with respect to the €20.5 million recorded in the prior year. The decrease is primarily attributable to the Dada.net Division, the VAS business and the launch of new businesses, which were expensed entirely in the year, while the Dada.pro division was largely unchanged. In fourth quarter 2010 alone EBITDA reached €3.9 million, basically in line with fourth 2009 when EBITDA reached €4 million and up with respect to the €3.3 million reported in third quarter 2010.

The **Parent Company Dada S.p.A's** EBITDA in the year that just closed was negative for some €2 million, compared to a negative €1.8 million in the prior year. This result reflects the cost control policies and reorganization implemented during the year.

The following graph shows the trend in consolidated EBITDA over the last five quarters:

### CONSOLIDATED EBITDA

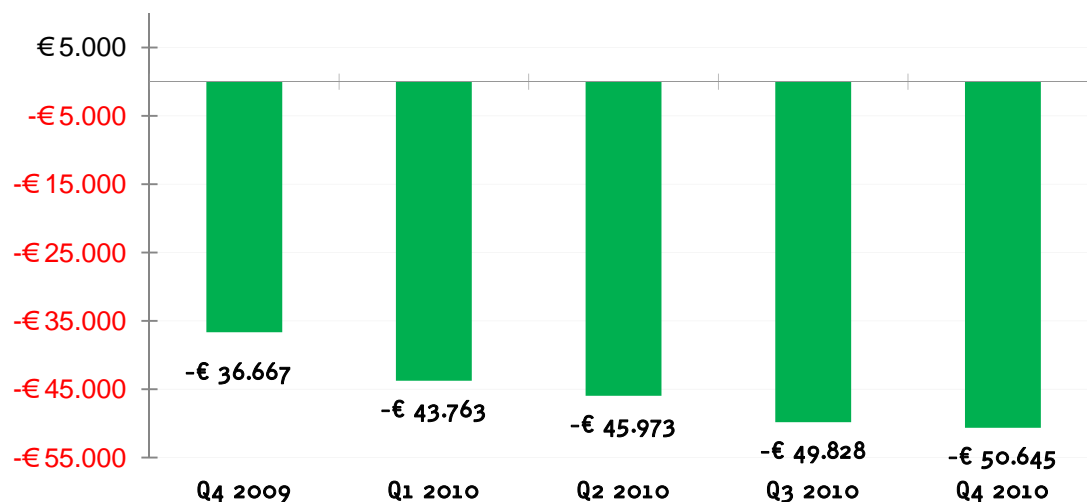


The Dada Group's **total net financial position**, which includes funding to be repaid beyond one year, at 31 December 2010, is a negative €50.6 million. This compares with net debt of €36.7 million at 31 December 2009. Therefore, during the year that just ended funds of €14 million were absorbed (€5.3 million in 2009).

This figure was impacted significantly by investments in property, plant and equipment and intangible assets, as well as the equity investments made during the year which are described in greater detail in other sections of this report. Internal development of the processes and proprietary platforms used to provide new services also continued in the year.

The net financial position at the end of the previous five quarters is shown below:

### TOTAL CONSOLIDATED NET FINANCIAL POSITION



## Results

The following tables show the key results of the **Dada Group** in 2010 (full year and quarterly), compared with the previous year:

(EUR/ooo)	2010		2009		DIFFERENCE	
	Amount	% of total	Amount	% of total	Absolute	%
<b>Net revenue</b>	<b>151,485</b>	<b>100%</b>	<b>155,101</b>	<b>100%</b>	<b>-3,616</b>	<b>-2%</b>
Chg. in inventories & inc. in own wk. capitalized	5,477	4%	5,229	3%	248	5%
Service costs and other operating expenses	-112,923	-75%	-110,278	-71%	-2,645	2%
Payroll costs	-29,394	-19%	-29,579	-19%	185	-1%
<b>EBITDA *</b>	<b>14,645</b>	<b>10%</b>	<b>20,473</b>	<b>13%</b>	<b>-5,828</b>	<b>-28%</b>
Depreciation and amortization	-13,324	-9%	-11,362	-7%	-1,962	17%
Non-recurring income/(charges)	-3,992	-3%	-3,159	-2%	-833	26%
Impairment of fixed assets	-8,421	-6%	0	0%	-8,421	
Impairment losses and provisions	-800	-1%	-1,363	-1%	563	-41%
<b>EBIT</b>	<b>-11,892</b>	<b>-8%</b>	<b>4,589</b>	<b>3%</b>	<b>-16,481</b>	<b>-359%</b>

\* EBITDA is shown gross of non-recurring expenses, provisions and impairment losses of €4.8 million (€4.5 million in 2009)

(EUR/ooo)	Q4 2010		Q4 2009		DIFFERENCE	
	Amount	% of total	Amount	Amount	% of total	Amount
<b>Net revenue</b>	<b>37,591</b>	<b>100%</b>	<b>40,126</b>	<b>100%</b>	<b>-2,535</b>	<b>-6%</b>
Chg. in inventories & inc. in own wk. capitalized	921	2%	1,360	3%	-439	-32%
Service costs and other operating expenses	-27,719	-74%	-30,042	-75%	2,323	-8%
Payroll costs	-6,942	-18%	-7,483	-19%	541	-7%
<b>EBITDA *</b>	<b>3,851</b>	<b>10%</b>	<b>3,961</b>	<b>10%</b>	<b>-110</b>	<b>-3%</b>

Depreciation and amortization	-3,529	-9%	-3,071	-8%	-458	15%
Non-recurring income/(charges)	-2906	-8%	-1663	-4%	-1,243	75%
Impairment of fixed assets	-7,055	-19%	0	0%	-7,055	
Impairment losses and provisions	-370	-1%	-668	-2%	298	-45%
<b>EBIT</b>	<b>-10,009</b>	<b>-27%</b>	<b>-1,441</b>	<b>-4%</b>	<b>-8,568</b>	<b>595%</b>

\* EBITDA is shown gross of non-recurring expenses, provisions and impairment losses of €3.3 million (€2.3 million in 2009).

The Dada Group's **consolidated revenue** in fourth quarter 2010 reached €37.6 million, a slight drop (-6%) with respect to the €40.1 million reported in the fourth quarter of the prior year, but up with respect to the €36.9 million posted in third quarter 2010 (+ 2%). The Dada Group's total revenue for the year reached €151.5 million, a decrease of 2% with respect to the prior year.

Please note, that the comparison of consolidated revenue with prior years was affected by the change in the Dada Group's scope of consolidation; Fueps S.p.A., acquired in October 2009, was consolidated on a line-by-line basis for the entire year, as were the companies belonging to the Poundhost Group, acquired in January 2010, while Dada Ent. Inc, formerly Dada LLC which was held 50% and therefore consolidated using the equity method through 31 May 2009, was fully consolidated beginning 1 June 2009.

Overall, the changes in the scope of consolidation had a positive effect of €13.9 million on the Group's revenue for the year. For the fourth quarter alone, the effect was a positive €0.9 million.

### **Business units**

The Group's operations are performed by the **Dada.net Division, the Dada.pro Division and the Corporate Division**. This last is essentially organized around the parent company Dada S.p.A. and provides services to the two business units (see also the segment reporting section required by IFRS 8).

The breakdown of Dada Group revenue by business segment was also affected significantly by the changes in the consolidation scope described above.

**The Dada.net Division** contributed €77.9 million (gross of interdivisional revenue) to the Dada Group's consolidated revenue for the year, a decrease of €7.4 million with respect to FY 2009 when revenue reached €85.3 million (again gross of interdivisional revenue). If Dada Ent. Inc. had been fully consolidated in 2009 the drop in revenue would have reached €20.9 million.

The contribution, therefore, of the Dada.net Division to the Group's revenue fell from 51% in the prior year to 45%. This downward trend in revenue share is explained by a gradual retreat from some traditional products, especially mobile VAS in Italy, which was only partially offset by the change in the scope of consolidation and geographical expansion. For this division, the consolidation of Dada Entertainment Inc. and Fueps S.p.A. increased revenue by approximately €9.1 million.

The contribution of the Dada.net Division to the Group's revenue in the fourth quarter alone reached €17.8 million compared to €24.6 million in the same period 2009, a total decrease of €6.9 million. As a percentage, the contribution in the fourth quarter fell from 55% to 42%. The change in the consolidation scope had no impact on fourth quarter revenue.

**The Dada.pro Division** contributed €90.5 million (gross of interdivisional revenue) to the Group's consolidated revenue for the year (55% of the total), compared with €82.6 million (49% of the total) in 2009, for an increase of 16.8%.

This result is attributable, for about €4.8 million, to the consolidation of the Poundhost Group, acquired in January 2010.

With regard to quarterly trends, in the fourth quarter alone, Dada.pro earned revenue of €25 million, compared with €20.5 million in fourth quarter 2009 (+22%) and €22.6 million in third quarter 2010. Dada.pro's contribution to the Group's consolidated revenue increased from 45% in fourth quarter 2009 to 58% in fourth quarter 2010. The change in the scope of consolidation has a positive impact on the division's fourth-quarter revenue of €0.9 million.

With regard to the **geographical breakdown** of the Dada Group's consolidated revenue for 2010, 59% was generated abroad, in line with the prior year. In the fourth quarter alone, foreign revenue made up 55% versus 59% in fourth quarter 2009 and 59% in third quarter 2010.

The changes in the scope of consolidation played a significant role here, as well, contributing €13.7 million in 2010 and €0.9 million in the fourth quarter alone.

Further information on performance by division is provided later in this report.

**The Group's consolidated EBITDA in fourth quarter 2010** (gross of impairment losses and other non-recurring items) **amounted to €3.9 million** (10% of consolidated revenue), in line with the prior year when consolidated revenue reached €4 million (10% of revenue). EBITDA for FY 2010 was €14.6 million (10% of revenue), a decline of 28% with respect to the €20.5 million (13% of revenue) reported in 2009.

The Dada Group's consolidated EBITDA is explained primarily by factors affecting the Dada.net Division which include:

- the drop in the contribution from the VAS mobile services in some geographic areas;
- the costs incurred of €2.8 million for the launch of the poker on-line service during the first half of the year, which slowed down considerably starting in second quarter 2010.

The net operating expenses of approximately 2.9 million incurred for Play.me were less than the previous year due to divestment in the US market, as well as the efforts made to limit structural costs and control the cost of musical content distribution rights.

The Dada.pro Division's contribution to EBITDA in 2010 was basically in line with the prior year.

The change in the scope of consolidation described above had a positive impact on EBITDA in 2010 of approximately €0.2 million and is explained by Dada.pro's positive contribution of €1.5 million and Dada.net's negative contribution of €1.3 million (the latter is the combined effect of the positive contribution of Dada Ent. Inc. and the negative contribution of Fueps S.p.A.). For the fourth quarter alone, the impact of the change in consolidation scope amounted to €0.5 million.

Service costs and other operating expenses rose in 2010 due primarily to an increase in advertising spending of +€2.6 million (75% versus 71% of revenue) with respect to the prior year, dropped with respect to fourth quarter 2009 by €2.3 million (-8%) and were in line with third quarter 2010. More in detail, there was a slight decrease in payroll expenses which fell from the €29.6 million recorded in 2009 to €29.4 million in 2010, with the percentage of revenue unchanged at 19%.

In fourth quarter 2010 alone payroll costs dropped by 7% with respect to fourth quarter 2009 from €7.5 million to €6.9 million, with the percentage of revenue falling from 19% to 18%.

The total number of employees went from 593 at 31 December 2009 to 569 at 31 December 2010. The change in the scope of consolidation, due to the Poundhost acquisition, accounted for 18 employees.

General/structural costs and rentals, leasing and royalties decreased in line with the trend in revenue, down with respect to the 2010 figures.

The item "Change in inventories and increase in own work capitalized," amounting to €5.5 million in 2010 versus €5.2 million in 2009 (+5%), consists of expenses incurred for the development of proprietary platforms needed to launch and operate the services provided by the Dada Group via web and mobile which include expenses incurred by the following divisions:

- by Dada.pro for the development of the platform used to provide Domain & Hosting services and of the digital advertising platform Simply;
- by Dada.net for the development of the VAS and Music platforms.

In the fourth quarter alone, product development costs came to €0.9 million, versus €1.4 million in the same period in 2009 and €1.5 million in third quarter 2010.

**Consolidated EBIT** for 2010 amounted to **negative €11.9 million** (-8% of consolidated revenue), down with respect to the positive €4.6 million recorded in 2009 (3% of consolidated revenue).

The figure reflects depreciation of €5.1 million and amortization of €8.2 million compared to €4.2 million and €7.2 million, respectively, in the prior year for a total increase of 17%. The rise year-on-year is due mainly to investments in product development and fixed assets, as well as to the change in consolidation scope described above. Non-recurring charges rose to €4 million (€3.2 million in 2009), while impairment and provisions amounted to €0.8 million (€1.3 million in 2009). These provisions and non-recurring charges relate primarily to the restructuring and, in particular, to payroll expenses, and marginally to litigation and impairment losses on receivables.

Impairment of intangible assets, primarily goodwill, of €8.4 million also had a significant impact on the EBIT in 2010.

The goodwill impairment at 31 December 2010 was a result of impairment testing conducted in accordance with IAS 36 which resulted in:

- the write-off of goodwill for the CGU Fueps (€1.2 million) due to its permanent loss in value, and the write-off of the residual intangible assets recognized in Fueps's financial statements €0.4 million);
- the write-off of goodwill for the CGU Clarence (€0.4 million), as its businesses are still inactive;
- a goodwill write-down of €4.9 million for the CGU Dada USA, due to its partial lack of recoverability;
- a goodwill write-down of €1.3 million for the CGU Dada Net, due to its partial lack of recoverability.

For details of the rationale and method of determining impairment, see the notes to the consolidated financial statements.

In the prior year none of the figures recorded in the financial statements were adjusted as a result of impairment testing.

In fourth quarter 2010 alone, consolidated EBIT was a negative €10 million, compared to a negative €1.4 million in the fourth quarter of the prior year. The fourth quarter EBIT was



impacted by depreciation and amortization which amounted to €3.5 million versus €3.1 million in the prior year (+15%), while impairment losses and non-recurring charges reached €3.3 million, versus €2.3 million in 2009.

Impairment of intangible assets totalling €7.1 million was also concentrated in the fourth quarter of the year (with the exception of the write-off of goodwill for the CGU Fueps which was recognized in the first half along with other intangible assets for immaterial amounts), while there was none in fourth quarter 2009.

The change in consolidation scope described earlier had a negative impact on EBIT in 2010 year-on-year of €0.9 million due primarily to the increase in amortization and depreciation following consolidation of Fueps and Poundhost. There was no impact on the fourth quarter alone.

**The Dada Group's consolidated pre-tax loss** for the year reached **€14.4 million**, a considerable drop with respect to the net profit of €8.6 million (6% of revenue) reported in the prior year. This result was clearly affected by the impairment of fixed assets and the non-recurring charges incurred in 2010 described above.

In 2010 financial charges, in particular, rose with respect to the €4.2 million reported in 2009 to €4.4 million, while financial income dropped slightly from the €2.1 million reported in the prior year to €1.9 million due to a decrease in exchange gains.

Moreover, the previous year was significantly impacted by the increase in Dada.net's share capital following the contribution of Sony's 50% interest in Dada Entertainment LLC. This resulted in the recognition of a gain due to early application of IFRS 3 Revised and of IAS 27 Revised, which provide for the revaluation of interests acquired prior to gaining control of a company. More specifically, non-recurring income was recorded following the revaluation of the 50% interest in Dada Entertainment, held as of 2007, on the basis of the fair value appraisal of the 50% interest in Dada Entertainment contributed by Sony in September 2009.

In fourth quarter 2010 alone, the net pre-tax loss amounted to €11 million, versus a net profit of €4.6 million in the prior year. Fourth quarter 2009 also benefited fully from the above mentioned revaluation gain. The financial charges in fourth quarter 2010 reached €1.2 million, versus €0.9 million in fourth quarter 2009, while financial income amounted to €0.3 million, in line with fourth quarter 2009.

The Dada Group closed 2010 with a **net loss** of **€17.5 million**, compared to a net profit of €6.9 million (5% of consolidated revenue) in 2009.

The tax charge for 2010 was €4 million compared to €1.2 million in the prior year. In the fourth quarter alone taxes amounted to €3.7 million compared to €0.3 million in fourth quarter 2009.

The tax charge was impacted by the Group's results which made it necessary to adjust some deferred tax assets recognized in previous years. Conversely, in the prior year deferred tax assets partially offset the current taxes owed.

More in detail, the current taxes in the year totalled €1.1 million, down with respect to the prior year, and included IRAP (regional business tax) relative to a few Italian companies of €0.6 million (€0.8 million in 2009); IRES (corporate income tax) and other income tax for the Italian and foreign companies of €1 million (€1.9 million in 2009); and a positive effect of €0.4 million relating to prior years' tax. Deferred tax assets recognized had a negative impact of €2.9 million, versus a positive impact of €1.5 million in the prior year.

The deferred tax assets recognized in the consolidated financial statements were calculated on the basis of temporary differences relating to provisions, impairment losses and other tax

adjustments that are expected to be reabsorbed in the future, and the portion of carryforward tax losses likely to be recovered. The latter is determined on the basis of the taxable income that is expected to be generated in the future as per the guidance provided in the business plans approved by the Board of Directors.

The Dada Group has accrued tax losses of €52 million, €35 million of which may be carried forward indefinitely. In the prior year the carryforward tax losses amounted to €47 million, €37 million of which could be carried forward indefinitely. A total of €12.6 million tax losses were considered for the purposes of calculating the deferred tax assets.

Non-controlling interests in net profit or loss rose from a negative -€0.5 million in 2009 to +€0.9 million in the year that just closed due to the negative performance of companies with non-controlling shareholders, namely: E-Box S.r.l. (held 70% then sold in February 2011), Giglio S.p.A. (held 25%; according to the terms of the purchase agreement, this company is fully consolidated but 75% of its net income is attributed to non-controlling shareholders), and Dada.net S.p.A. (held 13% by Sony).

The Group's net loss in fourth quarter 2010 alone amounted to €14 million, compared to a profit of €5.6 million in 2009 (14% of consolidated revenue). The comparison quarter-on-quarter clearly reflects write-downs of a few deferred tax assets taken in 2010 and the gain recognized in 2009 financial statements relating to the conferment of Dada Ent. LLC..

The change in the scope of consolidation described above affected the net result by a negative €2.1 million proforma in 2010 and by a negative €0.7 million in the fourth quarter alone.

The reclassified income statements of the **Parent Company Dada S.p.A.** at 31 December 2010 and at 31 December 2009 are shown below.

For more information about the results please refer to Annexes 1) and 2) found on pages 83 and 84, respectively.

(EUR/000)	2010		2009		DIFFERENCE	
	Amount	% of total	Amount	% of total	Absolute	%
<b>Net revenue</b>	<b>8,905</b>	<b>100%</b>	<b>11,273</b>	<b>100%</b>	<b>-2,368</b>	<b>-21%</b>
Chg. in inventories & inc. in own wk. capitalized	0	0%	0	0%	0	0%
Service costs and other operating expenses	-7,456	-84%	-9,251	-	1,795	-19%
Payroll costs	-3,406	-38%	-3,845	104%	439	-11%
<b>EBITDA *</b>	<b>-1,957</b>	<b>-22%</b>	<b>-1,823</b>	<b>-20%</b>	<b>-134</b>	<b>7%</b>
Depreciation and amortization	-2,264	-25%	-2,454	-28%	190	-8%
Non-recurring income/(charges)	-256	-3%	-154	-2%	-102	66%
Impairment losses and provisions	-3,585	-40%	-228	-3%	-3,357	1472%
<b>EBIT</b>	<b>-8,062</b>	<b>-91%</b>	<b>-4,659</b>	<b>-52%</b>	<b>-3,403</b>	<b>73%</b>

The Parent Company Dada S.p.A. closed 2010 with an EBIT of -€8.1 million compared to -€4.7 million at 31 December 2009. Beginning in 2009 the Parent Company began to gradually increase its focus on providing corporate services to its subsidiaries following the transfer, in 2008, of its businesses to the subsidiaries Dada.net and Register.it. This figure was impacted by impairment and non-recurring charges totalling €8.1 million.

The Parent Company Dada S.p.A. closed the year with a net loss of €13.1 million compared to a net loss of €4.1 million on 2009.

## Financial position

The net financial position at 31 December 2010 is shown in detail below, with comparative figures at 31 December 2009:

FINANCIAL POSITION				
In EUR/000	31-dic-10	31-dic-09	DIFFERENCE	
			Absolute	Percent
Cash on hand	33	429	-396	-92%
Bank and post office deposits	6.521	7.732	-1.211	-16%
<b>Cash and cash equivalents (A+B)</b>	<b>6.554</b>	<b>8.161</b>	<b>-1.607</b>	<b>-20%</b>
Current financial receivables (including derivatives)	111	0	111	100%
<b>Total financial assets (C+D)</b>	<b>6.665</b>	<b>8.161</b>	<b>-1.496</b>	<b>-18%</b>
Bank account overdrafts	-8.462	-4.923	-3.539	72%
Current bank borrowings	-19.087	-8.072	-11.015	136%
<b>Current debt (H+I+L+M)</b>	<b>-27.549</b>	<b>-12.995</b>	<b>-14.554</b>	<b>112%</b>
Non-current bank borrowings	-28.541	-30.862	2.321	-8%
Other non-current financial payables (including deriva	-1.219	-970	-249	26%
<b>Non-current debt (O+P+Q)</b>	<b>-29.760</b>	<b>-31.832</b>	<b>2.072</b>	<b>-7%</b>
<b>Total financial liabilities (N+R)</b>	<b>-57.309</b>	<b>-44.827</b>	<b>-12.482</b>	<b>28%</b>
<b>Net financial position (G+S)</b>	<b>-50.644</b>	<b>-36.666</b>	<b>-13.978</b>	<b>38%</b>

The Dada Group's consolidated net financial position at 31 December 2010 which includes medium/long term funding and loans was a **negative €50.6 million** (payables to banks

and other lenders repayable beyond one year amount to €29.8 million), versus a negative €36.7 million at 31 December 2009.

**The consolidated current net financial position at 31 December 2010** was a negative €20.9 million, versus a negative €4.8 million at 31 December 2009.

In 2010 total cash absorption amounted to €14 million, while the current portion of the net financial position absorbed €16 million.

The change in the scope of consolidation, due to the consolidation of the newly acquired Poundhost, had a marginal impact on this figure.

Movements in cash flow with respect to cash and cash equivalents are summarized below, for more detailed information please refer to the Statement of Cash Flows included in the consolidated financial statements:

In EUR/000	31/12/10 (12 months)	31/12/09 (12 months)
Cash flow from operating activities	7.050	12.748
Cash flow from investing activities	-20.737	-8.997
Cash flow from financing activities	-2.473	-3.541
<b>Net cash flow for the period (cash and cash equivalents)</b>	<b>-16.160</b>	<b>210</b>

For more information on operations please refer to the section on net working capital.

Operating investments made in 2010 include:

**Equity investments:** during the year 100% of the Poundhost Group was acquired which had a negative impact on the net financial position of approximately €7.5 million. The increase in the interest in Giglio Group from 10% to 25% caused debt to rise by €1.1 million. This investment was recognized in accordance with the equity transaction criteria.

In 2010, the Dada Group also made the following investments in:

- **intangible assets** which totalled €8.1 million and are largely explained by, for approximately €5.4 million, for costs incurred for the development of proprietary processes and platforms, needed to provide services to the Dada.net and Dada.pro Divisions and, for more than €2.8 million, by the purchase of software, licenses and TV rights;
- **property, plant and equipment** which amounted to €4.5 million and which consist primarily in the purchase of the servers and other electronic equipment needed to provide the services.

The cash flow from financing activities in the year was a negative €2.5 million, €2.3 million of which is attributable to the combined effect of the repayment of loans in 2010 equal to €9.7 million and the new loans granted equal to €11.9 million. For information on the Group's loans at 31 December 2010, and the movement during the year please refer to the notes to the consolidated financial statements. The impact of the differential between the opening and closing balance of an IRS amounted to €0.2 million.

The breakdown of the net working capital and the net capital employed at 31 December 2010 and at 31 December 2009 is shown below:

NET WORKING CAPITAL AND NET FINANCIAL POSITION OF THE DADA GROUP AT 31 DECEMBER 2010				
In EUR/000	31-dic-10	31-dic-09	DIFFERENCE	
			Absolute	Percent
Fixed assets (A) (*)	128.078	129.733	-1.655	0
Current operating assets (B)	45.430	56.350	-10.920	-19%
Current operating liabilities (C)	-56.027	-65.013	8.986	-14%
Net working capital (D)=(B)-(C)	-10.597	-8.663	-1.934	22%
Provision for termination indemnities (E)	-1.315	-1.210	-105	9%
Provision for risks and charges (F)	-4.141	-2.350	-1.791	76%
Other payables due beyond one year (G)	-8.000	-8.000	0	
Net capital employed (A+D+E+F+G)	104.025	109.510	-5.485	-5%

The Dada Group's **net working capital** at 31 December 2010 amounted to -€10.6 million versus - €8.7 million at 31 December 2009, an increase of +22% or €1.9 million. The change is explained by, on the one hand, the change in the consolidation scope and, on the other, the impairment of a few short-term assets.

The value, in absolute terms, of the main aggregates making up working capital fell considerably in the year (especially with reference to trade receivables and payables which fell by an average of 22%). Net working capital was affected, on the one hand, by the change in consolidation scope following the Poundhost acquisition for +€0.7 million and, on the other hand, by the deconsolidation of E Box Srl for -€0.3 million. The total assets and liabilities of Ebox, as well as the assets pertaining to Splinder, were recognized under assets and liabilities held for sale for a total of €3.3 million, following the sale in February 2011 as per the agreements finalized in December 2010.

Regarding the composition of trade receivables, a significant percentage is due from telephone carriers (either directly or through an aggregator), which generate most of the Dada.net Division's revenue from fee-based services.

Current liabilities also include €12.8 million in deferred income (income received but not pertaining to the period) on the web hosting services of Dada.pro and various value added services of the Dada.net Division; these will not entail future outlays but rather the recognition of revenue in the income statement. Deferred income amounted to €11.8 million at 31 December 2009.

"Other payables" include Sony's put option on 13% of Dada.net S.p.A. This has been valued at €8 million, which corresponds to the option's floor. That amount can be said to represent fair value at 31 December 2010.

For investing activities, see the section above on net financial position, as well as the more detailed information in the notes.

The breakdown of Dada S.p.A.'s net working capital and the net capital employed at 31 December 2010 and at 31 December 2009 is shown below:

In €/000	31-Dec-10	31-Dec-09	DIFFERENCE	
			Absolute	percent.
<b>Fixed assets (A) (*)</b>	<b>51.687</b>	<b>61.584</b>	<b>-9.897</b>	<b>-16%</b>
Current operating assets (B)	8.486	12.658	-4.172	-33%
Current operating liabilities (C)	-4.531	-5.584	1.053	-19%
<b>Net working capital (D)=(B)-(C)</b>	<b>3.955</b>	<b>7.074</b>	<b>-3.119</b>	<b>-44%</b>
Provision for termination indemnities (E)	-225	-219	-6	3%
Provision for risks and charges (F)	-3.577	-186	-3.391	1823%
<b>Net capital employed (A+D+E+F+G)</b>	<b>51.840</b>	<b>68.253</b>	<b>-16.413</b>	<b>-24%</b>

Dada S.p.A. 's net working capital amounted to €4 million at 31 December 2010 compared to €7.1 million at year-end 2009.

## Investment

A summary of the investments made during the year by the Dada Group in property, plant and equipment and intangible assets are shown below:

	Increase 2010	Increase 2009	Change	% change
Technology investments	0	3.658	-3.658	-100%
Purchase of furniture and fittings	0	144	-144	-100%
New product/process development	5.446	5.229	217	4%
Licenses and brands	-	64	-64	-100%
Patents and other rights	-	1.263	-1.263	
Software	0	880	-880	-100%
Other	138	45	93	207%
Assets under construction and advances	0	397	-397	
<b>TOTAL</b>	<b>5.584</b>	<b>11.680</b>	<b>-6.096</b>	<b>-52%</b>

Investments in 2010 amounted to €12.7 million versus €11.7 million in the prior year, an increase of €1.1 million or +9%. The change in the consolidation scope following the consolidation of the Poundhost Group companies had a positive impact of €1.4 million, attributable almost entirely to property, plant and equipment.

The significant investment activity, begun in previous years, focused on boosting the growth of the Group's businesses and launching new services continued in 2010.

The Dada Group's investments in property, plant and equipment rose €0.7 million (+18%) in 2010 from the €3.8 million recorded in 2009 to €4.5 million.

As in previous years, these investments were made primarily in technology (€4.4 million), precisely the servers and other electronic equipment needed by Dada.net and Dada.pro to provide services.

The remainder is explained by the purchase of furniture and fittings made during the year and are down with respect to the prior year when expenses were incurred for the remodeling of several of the Dada Group's international offices.

With regard to investments in intangible assets in 2010, once again, the largest investments were made in the development of new products and processes relating to the proprietary platforms used by Dada.net and Dada.pro to provide services. These investments, in fact, rose 4% in 2010 with respect to the prior year from €5.2 million to €5.4 million. This increase is primarily related to Dada.pro's businesses.

Investments were also made in the development of a few products such as the Dada.net's digital musical business Play.me and Dada.pro's Simply, the digital advertising platform, as well as the costs incurred to integrate the Amen Group's technological platform.

The amount spent on software also grew significantly (+39%) in 2010, rising from the €0.9 million recorded in 2009 to the €1.2 million registered at year-end. These items include the costs incurred to expand and implement the SAP management system in a few of the foreign

subsidiaries (in Spain and in the United States), as well as for the software needed to provide Dada.net's and Dada.pro's services to third parties.

Investments in rights and patents amounted to €1.3 million in 2010, in line with the prior year, and refer to the television rights purchased by the Dada Group company, Giglio S.p.A..

The item "other" is marginal in 2010, as it was in the prior year.

## Group employees

The Dada Group's staff at 31 December consisted in 569 employees. This figure includes the staff members of the companies acquired during the year, in particular the Poundhost Group. The breakdown by business unit is found below:

Business Unit	At 31-12-2009	At 31-12-2010	Change
<i>Dada.net</i>	187	139	-48
<i>Dada.pro</i>	336	368	32
<i>Corporate</i>	70	62	-8
		0	0
<b>Total</b>	<b>593</b>	<b>569</b>	<b>-24</b>

The total for the BU Dada.net includes the employees of the companies Dada Ent., E-box, Giglio Group. The breakdown of the employees by geographical area is shown below:

BU	Italy		Spain		France		UK		US		Brazil		Other countries	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
<i>Dada.net</i>	138	106	8	3					32	22	8	7	1	1
<i>Dada.pro</i>	176	190	33	32	32	25	82	107	1	2	2	2	10	10
<i>Corporate</i>	54	44	4	3	1	2	3	5	7	7	1	1		
		0												
<b>Total</b>	<b>368</b>	<b>340</b>	<b>45</b>	<b>38</b>	<b>33</b>	<b>27</b>	<b>85</b>	<b>112</b>	<b>40</b>	<b>31</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>11</b>

## Changes in the organizational structure

In 2010:

- the **Business Unit Dada.pro** acquired and subsequently integrated the company **Poundhost** in the United Kingdom which called for the continuous development, including through efficiencies, of an organizational structure based on internationally configured product lines;



- the **Business Unit Dada.net.** was reorganized in order to focus on the two primary businesses, VAS and Musica, and subject to extensive rationalization, in particular in the Games area in Italy and in Music in the USA.

## INFORMATION ON ENVIRONMENTAL POLICY AND SECURITY

### ENVIRONMENTAL POLICY

The objectives of the Dada Group's environmental policy are:

- to **optimize** the use of renewable energy and natural resources by improving the technologies used in the Group's offices and spaces;
- to **increase environmental awareness** including through the use of specific corporate initiatives;
- to implement environmentally friendly purchasing policies.

### WASTE

The Group companies provide services which produce a limited quantity of waste that are managed as follows:

Paper	Recycled
Toner	Given to a specialized firm for disposal
Obsolete hardware	Given to a specialized firm for disposal
Non separated waste mixed with urban waste	Collected in communal containers

### WATER

The Group companies consume a limited amount of water for sanitary needs and personal hygiene.

### ENERGY

The Dada Group pays careful attention to energy consumption. With regard to electricity, low consumption lighting systems, which still comply with regulation lighting requirements, have been installed at all the Dada Group company offices.

### SAFETY

The Group's policy with regard to safety in the workplace is focused on continuous improvement and dedicating the utmost attention to related issues.

All the Group's businesses are involved in and dedicated to office work.

Dada complies fully with applicable norms and regulations, updates its risk assessment report and addendums constantly in order to reflect any organizational and technical changes that have taken place.

The Group's Integrated Workplace Safety Management System is part of the Group's overall management system.

Frequent meetings are held in order to analyse, program and plan implementation of the needed improvements, training and to verify compliance.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Market risk

Our business is influenced by the global market conditions and the general economic conditions which can vary in the different markets where we do business; during a period of economic crisis consumption may slow which can have a negative affect on some of the services the Group provides. This risk, however, is mitigated by the domain & hosting products that are part of Dada.pro's business.

The services market, in which the Dada Group operates, is highly competitive due to both the continuously, rapidly changing nature of innovation and product technology, as well as the threat of new market competition; this environment calls for continuous investments in the services that are offered to customers and renewal of the Company's offer in order to maintain its competitive positioning.

The sector in which the Group is active, both in Italy and abroad, is also subject to regulation relating to, amongst other things, the protection of personal data, consumer protection, advertising of sales and value added services and the telecommunications sector in general. The above mentioned regulations are already in place and are likely to become more stringent going forward which could impact the reference market and the business's margins. Toward that end, a few of the Group companies are or could be involved in legal disputes related to the services provided.

### Management of financial risk

#### Financial risk

The growth of the Dada Group's international business, including through the acquisition of important operating companies, has increased the overall financial risk that the Group must detect and monitor. More in detail, the exposure to exchange risk, due to the increase in revenue generated in foreign currency, interest rate risk, due to the medium term loan taken out for the acquisition of the English company Poundhost, and liquidity risk in general due to possible changes in funding needs, have all increased significantly.

Following the numerous acquisitions made over the years, particularly abroad, the Dada Group pays great attention to the analysis and implementation of adequate reporting procedures, to monitoring exchange and interest rate/liquidity risks, as well as to strengthening its corporate structure which is responsible for monitoring and controlling these financial risks.

More in detail:

- to hedge against interest rate risk relative to the loan of €17,142 thousand outstanding at 31 December 2010 in the name of the subsidiary Register.it, the Company took out an interest

rate swap (IRS) with a major bank. The fair value of this derivative was recognized in an equity reserve in accordance with IAS 39. Two interest rate caps were also arranged with major banks: one on 1 July 2009 on a loan of €8,000 thousand (strike rate 3.5%) and one on 28 May 2010 on a loan of €7,500 thousand (strike rate 3%). The underlying loans were subsequently renegotiated and a new loan was granted with a residual principal at 31 December 2010 of €17,600 thousand, of which €6,400 thousand is covered by the first cap which has the same maturities as the renegotiated amortization schedule. In 2010 the second cap was not considered as a hedge. The fair value adjustment relative to both the caps of €2,000 thousand was posted, in full, to the income statement. Forward contracts were stipulated to hedge against currency risk (USD); the effect of these instruments was recognized entirely in profit or loss.

#### Liquidity risk

Liquidity risk is managed on a centralized basis by the Dada Group. In order to optimize utilization of the Group's liquidity, the Parent Company Dada S.p.A. stipulated a cash pooling agreement for its subsidiaries Register.it S.p.A., Dada.net S.p.A. and Fueps S.p.A. Register.it S.p.A. also entered into a cash pooling agreement with its French subsidiary Amen SA, as Dada.net S.p.A. did with its Spanish subsidiary Dada Iberia SL.

#### Exchange risk

Following the Group's international expansion its financial statements are significantly more exposed to exchange risk and changes in the EUR/USD and EUR/GBP exchange rates.

The Group is also exposed to the BRL (Brazilian real).

This exposure to exchange risk is the result of sales or purchases made in currencies other than the Euro. Approximately 30% of the Group's sales are denominated in currency other than the Euro, while approximately 24% of its costs are denominated in foreign currency (USD).

In 2010 in order to hedge its exchange risk the Group stipulated currency forwards.

#### Credit risk

The Group's exposure to credit risk is related to trade and financial receivables. A large part of the Dada.net Division's trade receivables, given the specific nature of its business, are limited to a small number of customers, primarily telephone companies. This type of customer normally has a very high credit rating. Conversely, the Dada.pro Division assumes the market risk associated with a part of its advertising business, while no risk is associated with the Domain&Hosting business as the fees for the service are generally paid in advance.

With regard to financial receivables, the liquidity is only invested with banking counterparties of the highest standing.

#### Price risk

The Group is not exposed to significant price volatility risk.

For additional information please refer to the information provided in accordance with IFRS 7 attached to this report.

## **Risks to which the Parent Company Dada S.p.A. is exposed**

The Parent Company is, in the main, exposed to the same risks and uncertainties described above in relation to the Dada Group.

## Alternative performance indicators

This report provides the following economic and financial indicators in addition to those required IFRS:

*EBITDA*: used by the management of the Dada Group to monitor and assess the Group's operating performance, but not a recognized accounting measure under IFRS. Because the composition of EBITDA is not governed by the accounting policies, the Dada Group's method of calculating it may differ from that used by others and may therefore make comparisons unreliable. Below is a summary of how the Dada Group calculates EBITDA:

**Pre-tax profit (gross of the profit of assets held for sale)**

+ Financial charges

- Financial income

+/- Gains/losses from equity investments in associates

**Operating profit**

+ Restructuring costs

+ Amortization, depreciation and impairment losses on fixed assets

+/- Atypical charges/income

+ Impairment losses on trade receivables

**EBITDA – Operating profit before amortization, depreciation, impairment losses, atypical charges/income and impairment losses on receivables.**

*Net working capital*: the difference between current assets and liabilities, i.e. those due within one year of the balance sheet date. Within this item, deferred tax assets are split into current and non-current portions according to the amount expected to be recovered with the following year's profit;

*Net capital employed*: fixed assets plus net working capital, less non-financial liabilities (provision for employee termination indemnities and provision for risks and charges);

*Net short-term financial position*: cash and cash equivalents, current financial assets and current financial liabilities;

*Total net financial position*: net current financial position and all financial receivables and payables due beyond one year.

## PERFORMANCE BY BUSINESS SEGMENT

Since the second quarter of 2010, the Group's organizational structure has consisted of two business units: the **Dada.net Division** and the **Dada.pro Division**, due to the integration of Fueps into Dada.net.

This reorganization was completed including due to the sharp slowdown in the online gaming business, especially online poker, which made it necessary to revise development plans and write down the goodwill attributed to this business.

Also, since IFRS 8 requires segment information to be organized according to the same criteria used for management reporting purposes, the Group has also created a **Corporate Division** consisting mainly of the services provided by the parent, Dada S.p.A., to the subsidiaries in the two business units.

### Key results by business segment

The following table shows key results by division for FY 2010, with comparative figures from the previous year:

Sector	2010 (12 months)					2009 (12 months)				
	Revenue	EBITDA	% of revenue	EBIT	% of revenue	Revenue	EBITDA	% of revenue	EBIT	% of revenue
Dada.net	77.893	8.286	11%	-5.058	-6%	85.285	14.355	17%	6.520	8%
Dada.pro	96.460	9.836	10%	464	0%	82.581	9.998	12%	2.917	4%
Corporate	8.906	-1.959	-22%	-7.299	-82%	11.123	-2.102	-19%	-4.847	-44%
Interdivisio	-31.775	-1.518	n.a.	0	n.a.	-23.889	-1.778	7%		n.a.
<b>Total</b>	<b>151.485</b>	<b>14.646</b>	<b>10%</b>	<b>- 11.893</b>	<b>-8%</b>	<b>155.100</b>	<b>20.474</b>	<b>13%</b>	<b>4.589</b>	<b>3%</b>
Sector	4th quarter 2010 (3 months)					4th quarter 2009 (3 months)				
	Revenue	EBITDA	% of revenue	EBIT	% of revenue	Revenue	EBITDA	% of revenue	EBIT	% of revenue
Dada.net	17.760	2.246	13%	-5.258	-30%	24.623	3.370	14%	340	1%
Dada.pro	25.023	2.476	10%	-1.006	-4%	20.546	1.808	9%	-282	-1%
Corporate	1.909	-467	-24%	-3.746	-196%	3.142	-771	-25%	-1.499	-48%
Interdivisio	-7.102	-402	n.a.	0	n.a.	-8.186	-445	5%	0	n.a.
<b>Total</b>	<b>37.591</b>	<b>3.853</b>	<b>10%</b>	<b>- 10.010</b>	<b>-27%</b>	<b>40.125</b>	<b>3.962</b>	<b>10%</b>	<b>- 1.441</b>	<b>-4%</b>

## Geographical breakdown of consolidated revenue

The breakdown of revenue generated in Italy and abroad in 2010 and in fourth quarter 2010 alone is shown below, compared with the same periods of the prior year:

	2010 (12 months)		2009 (12 months)	
	Amount	% of total	Amount	% of total
Revenue Italy	62.473	41%	64.128	41%
Revenue abroad	89.012	59%	90.972	59%
<b>Consolidated revenue</b>	<b>151.485</b>		<b>155.100</b>	
	4th quarter 2010		4th quarter 2009	
	Amount	% of total	Amount	% of total
Revenue Italy	16.777	45%	16.396	41%
Revenue abroad	20.814	55%	23.728	59%
<b>Consolidated revenue</b>	<b>37.591</b>		<b>40.125</b>	

## Dada.net services

Dada.net provides consumers with a bouquet of fee-based products and services in the areas of digital music, mobile applications, mobile services, social community, and casual and skill games that can be enjoyed on computers, mobile phones and smartphones in Italy and abroad.

### Dada.net services' operations

In 2010 Dada launched Play.me, a new digital music service with unlimited, low cost mobile access including through iPhone and Android applications thanks to innovative offline caching, the technology that makes it possible to listen to your music even without a mobile connection.

The user can access music via web or mobile without having to install software and can download music from a catalogue of over four million titles thanks to partnerships with the most important music producers: Sony Music, Emi, Kiver, Made In etaly, The Orchard, Universal, and Warner. The quality of the audio in streaming is better and is comparable to CD sound quality.

Users can also customize their music selection by creating personalized playlists, preferences and choosing from more than 100 Radio editorials that broadcast high quality, vertical selections.

Lastly Play.me, through an open platform and its innovative API, was the first in Italy to offer third party partners the possibility to provide its customers with legal music distribution services for the Italian market.

Dada continued to build its international presence in the field of value-added services for mobiles through expansion in North America and Latin America, particularly Canada and Mexico. In the last quarter of the year it also completed a successful relaunch of the French market. Dada is, therefore, currently active in 16 countries: Italy, the USA, Canada, Germany, France, Portugal, Australia, Spain, Belgium, Austria, Brazil, Argentina, Mexico, Hungary, Indonesia and South Africa.

In this area of business, however, the large, consolidated markets (such as Italy) are going through a phase of adjustment and a new business model has yet to emerge while the emerging markets, which respond positively to the traditional business model, aren't able to compensate for the decreased volumes recorded in the mature markets. Revenue and margin for the value added services, therefore, fell to €7.4 million (-10%) and €6.1 million (-42%), respectively, when compared to 2009. On a like-for-like basis, including Dada Ent.'s business for all of 2009, the drop in revenue and margin in 2010 would have been €20.9 million and €7.6 million, respectively.

In 2010, through Giglio Group, Dada moved deeper into Italy's music via satellite market with the ongoing success of its two television channels, Music Box and Live!. In the second quarter it began to distribute Live! in other countries, with positive audience results, and in the third quarter it launched the digital terrestrial channel Play.me.

The arrival of Play.me on digital terrestrial brings Dada one step closer to becoming a global point of reference for the digital music business. Television is therefore another means of accessing music in this multichannel strategy.

In 2010 Dada—through Bloglo—continued its community related content business. It operates a network of more than 80 vertical blogs in Italy, Brazil, the U.K., France and Spain. With regard to Ebox S.r.l., on 17 January 2011 Dada signed the agreements for the sale of its 70% interest in E-Box S.r.l. to Populis Ltd.. The closing took place in February 2011.

The operations of Fueps concerning the creation, management and development of online gaming services were incorporated into the Dada.net Division to create a single business unit for digital entertainment. At the moment these operations consist of [www.4a.com](http://www.4a.com) for online poker, and the social gaming site [www.fueps.com](http://www.fueps.com).

A gradual exit from this business was begun in the second quarter of 2010.

## Dada.net services' performance

In EUR/ooo	Dada.net					
	12 months 2010		12 months 2009		Difference	
	Amount	%	Amount	%	Absolute	%
Revenue - Italy	22.237	37%	30.311	50%	-8.073	-27%
Revenue - abroad	53.988	90%	53.119	88%	869	2%
Revenue - Interdivisional	1.668	3%	1.855	3%	-187	-10%
<b>Net revenue</b>	<b>77.893</b>	<b>130%</b>	<b>85.285</b>	<b>141%</b>	<b>-7.391</b>	<b>-9%</b>
Increase in own work capitalized	1.510	3%	1.808	3%	-298	-16%
Cost of services	-60.854	-101,2%	-61.890	-102,0%	1.036	-1,7%
Payroll costs	-10.263	-17,1%	-10.848	-17,9%	585	-5,4%
<b>Segment EBITDA</b>	<b>8.286</b>	<b>14%</b>	<b>14.355</b>	<b>24%</b>	<b>-6.069</b>	<b>-42%</b>
Depreciation and amortization	-11.402	-19%	-4.999	-8%	-6.403	128%
Impairment, provisions and non-recurring charges	-1.943	-3%	-2.836	-5%	894	-32%
<b>EBIT</b>	<b>-5.058</b>	<b>-8%</b>	<b>6.520</b>	<b>11%</b>	<b>-11.578</b>	<b>-178%</b>

**Revenue for the Dada.net Division in 2010 amounted to €77.9 million**, compared with €85.3 million the previous year (-9%). The change in the scope of consolidation following the 2009 agreement with Sony, which led to the line-by-line consolidation of Dada Entertainment (previously consolidated using the equity method) since June 2009 and the consolidation of Fueps since October 2009, had a positive impact of €13.7 million.

The decrease in Dada.net's contribution to the Dada Group's consolidated revenue, which fell from 51% to 45%, is due mainly to the gradual retreat from traditional mobile products in Italy that was not offset by the benefits of the expanded consolidation scope and the launch of business in new markets.

In 2010 revenue earned abroad made up 69% of Dada.net's total, versus 62% in 2009.

This is explained by the full consolidation of Dada Entertainment, the Group's expansion in various markets (particularly Mexico and Canada), and its gradual exit from the traditional mobile market in Italy, the focus of the Dada's Play.me offer.

In terms of revenue, the most significant foreign countries remain the U.S., Spain, Brazil, Canada and Mexico.

**EBITDA for the Dada.net Division in 2010 was a positive €8.3 million (11% of revenue)**, down from the €14.4 million (17% of revenue) recorded in the previous year.

The decline is primarily attributable to:

- a drop in the volumes for the VAS business, the decline in the mature markets was not offset by the launch of business in new geographical areas and the launch of new generation VAS services;

- the costs incurred for the launch of Poker on-line in the first part of the year.

In 2010 the Music business, while it made a negative contribution to the division's income, reduced its loss following the containment of structural costs and the cost of musical distribution rights.

The change in the Division's scope of consolidation reduced EBITDA for the period by €1.3 million with respect to 2009. The positive impact of the consolidation of Dada Entertainment



was not enough to offset the negative contribution of Fueps and the reduction in the VAS business's margin.

The cost of services decreased by €1 million or 1.7%. Service costs amounted to 78% of revenue, up from 73% last year.

Payroll costs decreased by €0.6 million (-5.4%) and amounted to 13.2% of revenue, an increase when compared with the 12.7% recorded in the previous year.

EBIT for 2010 was a negative €5.1 million, after depreciation, amortization and impairment of €11.4 million, versus a positive €6.5 million (8% of revenue), after amortization and depreciation of €5 million and impairment and extraordinary items of €2.8 million.

Amortization and impairment include impairment losses pertaining to Fueps following impairment testing of €0.4 million; goodwill impairment for Clarence of €0.4 million (along with goodwill impairment for Fueps as a result of impairment testing equal to €1.2 million); goodwill impairment as a result of impairment testing for Dada.net relating to its US operations of €4.9 million.

## Dada.pro services

**Dada.pro** uses a self-provisioning platform to provide professional services:

- domain registration, hosting & mail, dedicated and virtual servers, ADSL;
- advanced online advertising solutions via web and mobile.

### Dada.pro services' operations

In 2010, Dada.pro further strengthened its leadership in Europe – more than 466 thousand business clients and 1.6 million domains under management in Italy, the United Kingdom, France, Spain, Portugal, the Netherlands and Ireland—in the field of self-provisioned domain registration and hosting services, by focusing its efforts on:

- the integration of Poundhost's dedicated and virtual hosting services and marketing tools into the Namesco platform in the U.K.;
- the launch of the new "Website" application, a simple, flexible and comprehensive tool for the creation of professional sites, which enhances Dada.pro's range of digital services for registration, presence building and online visibility;
- the roll-out of the new "e-commerce" product, a complete package containing everything a business needs to create its own online store: from domain registration to customized graphics, online sales using the main web platforms, order management and logistics.

During the year the division also continued to reap the benefits of its strategy to strengthen the advertising online market which is still subject to intense competition and rapid transformation. In this context Dada.pro, even when faced with uncertain business models, proved its creativity and development capabilities. Particularly noteworthy were the results achieved by the scalable advertising business which is based on the trading of key words and research queries and the close relationship with the world's main ad networks. In 2010 the team dedicated to this business set-up in Ireland was strengthened.

The business more than tripled its revenue with respect to the prior year and improved its margins, by strengthening Peeplo.com and introducing new, internationally scalable models such as "Save n' Keep," a social bookmarking service via web and mobile.

Dada.pro continued with the development of Simply ([www.simply.com](http://www.simply.com)) a performance based advertising on-line platform developed entirely in-house, available via web worldwide and locally in Italy, the UK, France and Spain, which allows:

- advertisers to effectively plan their on-line advertising campaigns, defining the timing, targets, and objectives with the possibility of analyzing results;
- website owners to increase advertising revenue.

Simply is an optimal promotional tool also for small and medium sized businesses and for website owners who can monetize the visits their sites receive naturally by publishing advertisements and obtaining the maximum results from the clicks generated. The platform, in fact, ensures the maximum possible value thanks to a new yield optimization technology.

During the year, the Simply.pro version was released, primarily for professional users.

Lastly, the margin for the Dada.pro Division's advertising concession business dropped and steps have been taken to reorganize, as well as, gradually exit the business.

## Dada.pro services' performance

Dada.pro						
In EUR/ooo	12 months 2010		12 months 2009		Difference	
	Amount	%	Amount	%	Absolute	%
Revenue - Italy	40.235	178%	33.760	184%	6.475	19%
Revenue - abroad	35.025	155%	37.853	207%	-2.828	-7%
Revenue - Interdivisional	21.200	94%	10.968	60%	10.232	93%
<b>Net revenue</b>	<b>96.460</b>	<b>427%</b>	<b>82.581</b>	<b>451%</b>	<b>13.879</b>	<b>17%</b>
Increase in own work capitalized	3.967	18%	3.421	19%	546	16%
Cost of services	-74.866	-331,7%	-61.014	-333,2%	-13.853	22,7%
Payroll costs	-15.724	-69,7%	-14.990	-81,9%	-734	4,9%
<b>Segment EBITDA</b>	<b>9.836</b>	<b>44%</b>	<b>9.998</b>	<b>55%</b>	<b>-162</b>	<b>-2%</b>
Depreciation and amortization	-7.117	-32%	-5.687	-31%	-1.430	25%
Impairment, provisions and non-recurring charges	-2.255	-10%	-1.395	-8%	-861	62%
<b>EBIT</b>	<b>464</b>	<b>2%</b>	<b>2.917</b>	<b>16%</b>	<b>-2.453</b>	<b>-84%</b>

**Revenue for the Dada.pro Division in 2010 amounted to €96.5 million**, or €91.7 million net of the approximately €4.8 million contributed by the Poundhost acquisition of January 2010, an increase of 17% with respect to the €82.6 million recorded in 2009 (+11% net of Poundhost).

Revenue from third parties, net interdivisional revenue, pertaining primarily to customer acquisition for the Group companies, rose 5.1% from the €71.6 million posted in 2009 to €75.3 million in 2010.

**EBITDA** in 2010 was a **positive €9.8 million** (10% of revenue), versus €10 million (12% of revenue) the previous year. The change in the scope of consolidation had a positive impact of €1.5 million on this item. On a like-for-like basis there was a decrease attributable to two contrasting factors:

- The increase in the Advertising business's margin of approximately €0.4 million, thanks primarily to the growth of the Scalable Advertising business and Simply, which rose, respectively, by +€1.7 million and +€0.4 million with respect to the prior year, which more than offset the decline in the advertising concession business of -€1.7 million.

- the drop in Domain & Hosting's margin of approximately €2 million, due primarily to investments in new customer acquisition and a change in the way a few services were provided made in the previous year.

With regard to the principal costs, in 2010 :

- the cost of services increased with respect to 2009 to €13.9 million (+18% net of the Poundhost acquisition, which contributed €3.1) due to the increase in the activities linked to customer acquisition for the Group companies;

- payroll costs of €0.8 million, however, fell from 18% to 16% of the division's revenue.

**EBIT for 2010** was a positive €0.5 million (0.5% of revenue) after amortization and depreciation of €7.1 million (€5.7 million in 2009), compared with €2.9 million (3.5% of

revenue) the previous year. The decrease of 84% is due, in addition to the drop in EBITDA described above, to the rise in amortization and depreciation as a result of investments in fixed assets and intangibles related to new business projects (which rose from €5.7 million to €7.1 million) and to the increase in “impairment, provisions and non-recurring charges” which rose from €1.4 million in 2009 to €2.3 million in 2010. More in detail, this aggregate reflects impairment losses on receivables of €0.6 million, while the residual amount relates to the reorganization of the advertising concession business mentioned.

### Corporate Services

Dada S.p.A is the **division that provides corporate services** to the other companies in the Group, and thus to the two business units.

Revenue is earned by charging Group companies for services such as administration, finance, taxation, planning & control, purchasing, legal & corporate, communications, human resources, facility management, and general services.

### Performance of the Corporate Division

The Corporate Division earned €8.9 million in revenue in 2010, compared with €11.1 million last year. The Division recorded a net loss of €2 million in 2010, down slight with respect to the net loss of €2.1 million recorded in 2009.

## RELATED PARTY TRANSACTIONS

Please refer to Note 25 of the explanatory notes for more information on related party transactions.

### SIGNIFICANT EVENTS IN 2010

On 18 January 2010 the purchase, through the English subsidiary Namesco, was finalized of 100% of the capital of the companies comprising Poundhost, one of the leading UK players in dedicated and virtual hosting services, for a total consideration of £6.5 million (approximately €7.2 million), in addition to an earn-out for up to a maximum of £300 thousand (approximately €0.3 million), linked to achieving certain, predetermined financial results by first quarter 2010. It was paid in its entirety in April 2010.

On 10 February 2010 - Dada.net, acquired an additional 15% of Giglio Group S.p.A. for €1,125,000, thus increasing the equity investment to 25%.

The consideration paid for the acquisition of the additional interest reflects the valuation of the company agreed upon when the first stake was acquired on 9 July 2008. The basic terms and conditions of the agreements relative to the corporate governance and the call options granted Dada.net on an additional 51% or 100%, to be exercised solely at the discretion of Dada.net within three years of the previous closing, were also extended for another year.

On 1 April 2010 the merger of the US companies Dada Usa Inc, Dada Ent. LLC and Upoc Inc., all of which are directly or indirectly controlled by Dada.net S.p.A., was finalized. This was a reverse merger in which the subsidiary Upoc incorporated the parent company Dada Usa Inc and

the associate Dada Ent. LLC and made it possible to significantly streamline the Group's structure in the American market. Subsequent to the merger Upoc Inc changed its name to Dada Ent. Inc..

On 20 October 2010 the Board of Directors reached a decision regarding the request of its parent, RCS MediaGroup, to provide information on the Dada Group as part of an effort made by RCS, with assistance from a leading finance house, to explore options for value enhancement as previously disclosed to the market. Dada decided to comply with this request as it was deemed to be in the best interest of the company and all of its shareholders.

## SUBSEQUENT EVENTS

On 11 February 2011 Dada announced that the Board of Directors and Paolo Barberis had reached a mutual agreement to end the collaboration between Paolo Barberis and Dada, a company founded by Paolo Barberis in 1995, due to diverging strategic visions of the Company.

Paolo Barberis, therefore, tendered his resignation, effective immediately, as a Director (and consequently, as Chairman) of the Company. The agreement reached between the parties was first submitted to the Committee for Related Party Transactions which issued a favourable opinion and it was on the basis of this opinion that the Company's Board of Directors approved the transaction which is considered a less material transaction under the law. On the same date an agreement of consensual termination relative to the directorship held was signed based on which Paolo Barberis received a gross payment of €616,666 and corporate assets which he had been using for some time, as were non-compete and non-solicitation agreements relative to the Dada Group companies against a gross payment of €720,000. Both payments were made to Paolo Barberis upon the signing of the relative agreements.

Paolo Barberis advised the Company that, on the same date, he had sold a total of 630,000 Dada shares and, consequently, he holds less than 2% of the Company's share capital.

The Board of Directors, as per the resolution approved by the Board of Statutory Auditors, acknowledged Paolo Barberis's resignation, and then co-opted Alberto Bianchi, Esq. (as there were no remaining candidates on the list to which Mr. Barberis belonged) Chairman of the Board of Directors in accordance with Art. 2386 of the Italian Civil Code and Art. 19 of the Company's by-laws.

Mr. Bianchi declared that he qualifies as an independent director under Art. 148, para. 3 of Legislative Decree 58/1998, as well as the Corporate Governance Code for Listed Companies. The Board assessed Mr. Bianchi's independent status in accordance with the law, as it was deemed inappropriate to base the assessment on the Corporate Governance Code given the special assignment granted.

On 11 February 2011, in light of the fact that director Salvatore Amato had been a director for more than 9 of the last 12 years, the Company's Board of Directors, held that said director no longer qualified as an independent director under the Corporate Governance Code for Listed Companies. In light of the above, the Board of Directors resolved to call upon the following independent directors to replace director Amato:

- as a member of the Compensation Committee, director Foti;
- as a member of the Internal Control Committee, director Russi;

both independent directors as defined in the Corporate Governance Code for Listed Companies. The Board of Directors, also appointed director Foti Chairman of the Internal Control Committee.

On 11 February 2011 the Board of Directors also, including on the basis of the results of a strategic analysis conducted with a primary consulting firm, decided to proceed with the valorisation of the Dada.net division which would allow the Company to rationalize its asset portfolio and concentrate its financial and managerial resources more effectively. The Board examined, with the support of its financial advisor, a few of the non binding letters of interest regarding Dada.net received from different industrial players. The assessment of the letters of interest was based on economic-financial considerations, as well as on analysis of the industrial project proposed and the potential impact on local employment.

The Board, therefore, granted the Chief Executive Officer a mandate to sign an exclusive agreement with Buongiorno S.p.A. for 45 days aimed at performing a due diligence process and, subject to the outcome of the same, proceed with the negotiation of an agreement between the parties for the sale of the equity interest in Dada.net S.p.A. and its subsidiaries to Buongiorno.

In the name of maximum disclosure we advise that on 11 February 2011, the Board of Directors of the parent company RCS MediaGroup S.p.A. – having acknowledged the activities carried out on the basis of the exploratory mandate granted a primary financial advisor (Mediobanca) regarding, among other things, the valorisation of Dada and the negotiations underway regarding the valorisation of Dada.net as disclosed on 11 February 2011 by Dada – announced that it is confident that the activities undertaken by Dada will make it possible to reach the goals set for optimization and valorisation and excludes, therefore, the possibility of disposing of its entire holding in Dada.

On 16 February 2011 Dada S.p.A. finalized, along with the minority shareholders, the sale of its holding in E-Box S.r.l., owner of Blogo, to Populis Ltd.. Based on the sales agreement, negotiated in December and announced on 17 January 2011, a purchase price of €6 million was paid, €4.2 million of which to the Dada Group who owns 70% of the company. Part of this amount, €0.2 million, was deposited in an escrow account for 12 months from the date of sale. This transaction generated a capital gain of €2 million.

The transaction is in line with Dada's previously announced strategy to refocus and rationalize Dada's asset portfolio.

## OUTLOOK

The persistence of the global conditions of the market in which the Dada Group is active, the steps taken to rationalize assets and, consequently, the decision to optimize the Dada.net Division in order to use the Group's financial and managerial resources more effectively, make it difficult, at this point in time, to make any forecasts for 2011. Buongiorno is currently completing its due diligence as per the exclusive 45 day agreement granted on 11 February. Any developments with regard to this transaction will be disclosed in a timely manner.

## STOCK OPTION PLANS

The nature of each of the stock option plans still open at 31 December 2010 is described below:

### PLAN DATED 3 FEBRUARY 2006

Dada's extraordinary general meeting voted on 30 December 2005 to grant the company's Board of Directors the power, under Art. 2443 par.2 of the Italian Civil Code, to increase share capital, in one or more stages, by a maximum amount of €136,000 at par, by issuing up to 800,000 new ordinary shares with a par value of €0.17 each to service an incentive and retention scheme for directors vested with particular authority or management responsibility and/or general managers and/or managers and heads of division at Dada S.p.A. and/or its subsidiaries.

In execution of this authority, the Board of Directors voted on 3 February 2006 to increase share capital to service the issue of a new three-year stock option plan for directors vested with particular authority or management responsibility and/or general managers and/or managers and heads of division at Dada S.p.A. and/or its subsidiaries. At the proposal of the company's Compensation Committee, the Board of Directors approved the plan's regulations and granted 700,700 options to subscribe to a corresponding number of Dada ordinary shares to 10 directors with special responsibilities and top managers of the Group, also voting to increase share capital by a maximum of €119,119 to service these options.

The stock option plan was designed to retain and incentivize top management which is why the Board made the exercise of the options conditional, within the limits specified in the regulations, on the achievement of 90% of the consolidated EBITDA target for 2008, as established by the Dada Board of Directors and subsequently achieved. Any shares subscribed would not carry restrictions of any sort.

As a general rule, the options could be exercised from the date of approving the Dada Group's consolidated financial statements for the year ended 31 December 2008 in the following periods of every year up until 11 November 2012: from 15 January to 31 January, from 16 February to 28 February, from 1 June to 15 June, from 15 September to 30 September (extended to 15 October just for 2012) and from 15 November to 30 November.

In compliance with the principles established by the general meeting, the company's Board of Directors set the subscription price at €14.782, corresponding to the arithmetic mean of the Dada share price in the month preceding the option grant and nonetheless taking account of the average share price in the previous six months.

As required by IFRS 2, the actuarial valuation of this plan was carried out by an independent actuary using the binomial method, resulting in a unit value of €4.232 per option.

Paolo Barberis, the holder of 127,400 options over a corresponding number of Dada shares, resigned on 11 February 2011, waiving on the same date any rights associated with such options.

### GRANT DATED 28 JULY 2006

On 28 July 2006 the Dada S.p.A. Board of Directors also voted to increase share capital for cash by a maximum of €9,350, by issuing up to 55,000 new shares to service an incentive and retention scheme for two new top managers, in partial execution of the authority granted to the Dada Board in the shareholders' resolution dated 30 December 2005 and filed at the Florence Companies Register on 9 January 2006.

The Dada Board of Directors set the share subscription price at €15.47, corresponding to the arithmetic mean of the official price of Dada ordinary shares in the calendar month ending on the option grant date, also taking account of the average share price in the previous six months.

This grant had the same characteristics as the plan dated 3 February 2006 described above. As required by IFRS 2, the actuarial valuation of this plan was carried out by an independent actuary using the binomial method, resulting in a unit value of €4.3192 per option.

## **PLAN DATED 24 FEBRUARY 2009**

Dada's extraordinary general meeting voted on 9 January 2009 to grant the company's Board of Directors the power, under Art. 2443 par. 2 of the Italian Civil Code, to increase share capital, in one or more stages over a maximum period of five years, by a maximum amount of €85,000 at par, by issuing 500,000 new ordinary shares with normal dividend and voting rights and a par value of €0.17 each to be offered in subscription, under the stock option plan approved by the same meeting for directors with special responsibilities and/or general managers and/or senior managers and/or division heads of Dada S.p.A. and/or its subsidiaries, excluding pre-emption rights under the combined provisions of Art. 2441, par 5, 6 and 8 of the Italian Civil Code.

In compliance with and in partial execution of this authority, the Board of Directors approved on 24 February 2009, at the proposal of the company's Compensation Committee, the regulations governing the plan and granted 410,000 options to subscribe to an equal number of Dada ordinary shares to 5 top managers of the Group, and also voted to increase share capital to service these options by a maximum of €69,700.

The stock option plan was designed to retain and incentivize top management which is why the Board has made the exercise of the options conditional, within the limits specified in the regulations, on the achievement of the cumulative EBITDA target for 2009-2011, as established by the Board.

As a general rule, the options may be exercised from the date of approving the Dada group's consolidated financial statements for the year ended 31 December 2011 in the following periods of every year up until 11 November 2015: from 15 January to 30 January, from 16 March to 31 March, from 1 June to 15 June, from 15 September to 30 September (extended to 15 October just for 2015) and from 15 November to 30 November.

In compliance with the principles established by the general meeting, the company's Board of Directors has set the subscription price at €6.05, corresponding to the arithmetic mean of the Dada share price in the month preceding the option grant and nonetheless taking account of the average share price in the previous six months.

As required by IFRS 2, the actuarial valuation of this plan was carried out by an independent actuary using the binomial method, resulting in a unit value of €2.3 per option. One of the beneficiaries resigned in 2009, thereby losing any right over the options granted.

Paolo Barberis, the holder of 170,000 options over a corresponding number of Dada shares, resigned on 11 February 2011, waiving on the same date any rights associated with such options.

## **GRANT DATED 8 OCTOBER 2009**

Again in execution of the authority granted to the Board of Directors at the extraordinary general meeting on 9 January 2009, the Board granted 50,000 options on 8 October 2009 to subscribe to an equal number of Dada ordinary shares to one of the group's top managers, and voted on 10 November 2009 to increase share capital by up to €8,500 to service this grant.



This grant was governed by the regulations examined and approved by the Board of Directors of Dada S.p.A. on 24 February 2009 at the time of approving the plan.

In compliance with the principles established by the general meeting, the company's Board of Directors set the subscription price at €6.875, corresponding to the arithmetic mean of the Dada share price in the month preceding the option grant and nonetheless above the average share price in the previous six months.

As required by IFRS 2, the actuarial valuation of this plan was carried out by an independent actuary using the binomial method, resulting in a unit value of €2.3 per option.

The value of stock options calculated in accordance with IFRS 2 has not had any impact on profit or loss. This is because the existing plans depend on non-market vesting conditions linked to company performance targets, which management believes will not be achieved.

### Movements in the stock option plans are set out in the following tables:

	2010 Number of options	Average exercis e price	Market price	2009 Number of options	Average exercise price	Market price
(1) Unexercised options at start of year	1,040,550	11.08	-	624,544	15.01	-
(2) New options granted	-	-	-	460,000	6.14	-
(3) Options exercised in period	-	-	-	-	-	-
(4) Options expiring in period (relating to the plan dated 20 June 2005)	-	-	-	-	-	-
Options expiring in period (relating to the plan dated 16 March 2006)	-	-	-	(8,994)	16.92	-
Options expiring in period (relating to the plan dated 3 February 2006)	-	-	-	-	-	-
Options expiring in period (relating to the plan dated 28 July 2006)	-	-	-	(5,000)	15.47	-
Options expiring in period (relating to the plan dated 12 February 2007)	-	-	-	-	-	-
Options expiring in period (relating to the plan dated 24 February 2009)	-	-	-	(30,000)	6.05	-

(5) Unexercised options at end of year	1,040,550	11.08	-	1,040,550	11.08	-
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The options have a residual average life of 2.5 years.

## PURCHASE OF TREASURY SHARES

Please refer to the Directors' Report accompanying the separate financial statements of Dada S.p.A.

## Investments held directly or indirectly by Directors, Statutory Auditors and General Managers

Name	Company	Number of shares held at 31.12.2010	Number of shares held at 31.12.2009
Paolo Barberis	Dada S.p.A.	870,000	870,000
Lorenzo Lepri	Dada S.p.A.	7,400	7,400

## Options granted to Directors during the year

During 2010 no options were granted to or exercised by the above beneficiaries, nor did any options held by such beneficiaries expire.

Name	Office held	Options held at end of year		
		Number of options	Average exercise price	Exercise period
Paolo Barberis*	Chairman	297,400	9.79	From the date of approving the 2008 financial statements up until 2012 for 127,400 options and from the date of approving the 2011 consolidated financial statements up until 11 November 2015 for 170,000 options*
Barbara Poggiali	CEO	90,000	6.05	From the date of approving the 2011 consolidated financial statements up until 11 November 2015
Lorenzo Lepri	Director	70,000	6.05	From the date of approving the 2011 consolidated financial statements up until 11 November 2015

\* Paolo Barberis, the holder of 297,400 options over a corresponding number of Dada shares, resigned on 11 February 2011, waiving on the same date any rights associated with these options.

## ALLOCATION OF RESULT FOR THE YEAR

Please refer to page 200 of the Dada S.p.A. separate financial statements for details of the allocation of the parent company's loss for the year of €13,149,116.71.

Florence, 14 March 2011

for the Board of Directors

Barbara Poggiali  
CEO



# REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

## 1. Introduction

The Corporate Governance Code for Listed Companies (the "Code") drawn up by the Committee for Listed Company Corporate Governance contains a suitable corporate organizational model for correctly managing the Company, business risks and potential conflicts of interest that might arise between directors and shareholders and between majority and minority shareholders. This model is therefore in line with the principles of best international practice; its adoption is voluntary and not compulsory.

Section IA.2.6 of the instructions that accompany the New Market Rules issued by *Borsa Italiana S.p.A.* establish that listed companies must prepare a specific annual report on their organizational decisions relative to the Corporate Governance Committee's recommendations; this report must be made available to shareholders together with the documentation required for the Annual General Meeting called to approve the annual financial statements. The Boards of Directors of listed companies that have not applied the Code's recommendations or that have applied them only in part, must provide information in this report on the reasons for such decisions. Similar requirements are contained in Art. 123-bis of Legislative Decree 58/98 (also known as the "Financial Services and Markets Act") and in Art. 89-bis of CONSOB Regulation 11971/99.

The Chairman of the Board of Directors of Dada S.p.A. reports, on the Board's behalf, that on 9 November 2006 the Company approved an internal corporate governance code, which reflects the corporate governance rules adopted by Dada's Board of Directors and by its Board of Statutory Auditors in relation to the rules applying to the latter, in compliance with the listed company Corporate Governance Code as revised in March 2006.

The Board has therefore periodically approved documents containing resolutions adopted under this Code.

For the sake of ensuring adequate corporate disclosure, the following report will provide a description of the corporate governance system adopted by the Company and the Group and of its ownership structure, as well as information on compliance with the listed company Corporate Governance Code, indicating which of the recommendations have been applied and how, and providing suitable information on the reasons why some of the recommendations have not been applied or only partially applied.

## 2. OWNERSHIP STRUCTURE

### *2.1. Shareholder structure; Authority to increase share capital and authorization to purchase treasury shares*

The share capital of Dada S.p.A. amounts to €2,755,711.73, divided into 16,210,069 ordinary shares with a par value of €0.17 each.

In accordance with the By-laws:

- The shares are indivisible and freely transferable. Every share carries the right to one vote. The shares are registered securities and, if fully paid and permitted by law, can be bearer securities. They may be converted from one type to another at the shareholder's expense. The Company can issue shares (in special classes) and financial instruments to employees of the Company or its subsidiaries in accordance with the provisions of Art. 2349 of the Italian Civil Code. If, for any reason, a share or rights to it belong to more than one person, the joint ownership rights shall be exercised by a common representative (Article 7: "Shares");
- In addition to ordinary shares, that give shareholders equal rights, classes of shares may be created, in compliance with legal requirements, with different rights, including where the allocation of losses is concerned (Article 8: "Class of shares");
- The Company is able to issue registered or bearer bonds, including convertible ones in accordance with law, and to determine conditions relating to their placement. The Company can also issue, in accordance with law, financial instruments with or without voting rights (Article 10: "Bonds and financial instruments").

At 31 December 2010, the share capital of Dada S.p.A. consists entirely of ordinary shares; there are therefore no other classes of shares nor any restrictions on the associated rights. The Company has not issued any bonds or any other financial instruments.

The Stock Option Plans section of the Directors' Report at 31 December 2010 contains information about authority to increase share capital under Art. 2443 of the Italian Civil Code.

The general meeting on 19 April 2010 revoked the authorization dated 23 April 2009 to purchase and sell treasury shares and renewed the authorization for the Board of Directors to buy, on one or more occasions, in full or in part, up to a maximum number of ordinary shares representing 10% of share capital, within 18 months from the date of the resolution at a price no more than 20% below and no more than 10% above the official quoted price on the trading day before each purchase and, in any case, for a total amount that could exceed the distributable reserves reported in the most recently approved financial statements or the amount of distributable profits; the same general meeting also authorized the Board of Directors to use the treasury shares already held or acquired as a result of the new authorization, to undertake sales/purchases, exchanges, contributions etc. including for the acquisition of equity investments.

Treasury shares already held or acquired under the new authorization may be disposed of within three years of the shareholders' resolution at a price, or valuation, no less than 95% of the average official price reported in the thirty trading days before the instructions to sell, or the official commitment to sell, if earlier. This authorization will expire on 19 October 2011.

The Company did not hold any treasury shares at 31 December 2010.

## *2.2. Restrictions on share transfer*

Under Art. 7 of the By-laws, the shares of Dada S.p.A. are freely transferable.

At 31 December 2010 it is reported that a restriction on the transfer of Dada S.p.A. shares applies under a shareholder agreement dated 11 November 2008 between RCS MediaGroup

S.p.A., with registered office in Via San Marco no. 21, Milan, and Paolo Barberis, born in La Spezia on 8 December 1967, relating, as communicated by the parties, to 8,025,101 Dada S.p.A. shares held by RCS MediaGroup S.p.A. and 870,000 Dada S.p.A. shares held by Paolo Barberis, for a total of 8,895,101 Dada S.p.A. shares, corresponding to 54.87% of total ordinary shares in issue; this agreement was notified to CONSOB on 20 December 2008. Among the events subsequent to the end of 2010, on 11 February 2011 RCS MediaGroup announced that it had approved and executed an agreement on the same date to terminate the above shareholder agreement dated 11 November 2008 between RCS MediaGroup and Paolo Barberis.

### *2.3. Significant shareholdings*

Based on the contents of the shareholders' register of Dada S.p.A. at 31 December 2010 and notices received under Art. 120 of Legislative Decree 58/1998 up until the date of approving the present report, the only shareholding in excess of 2% of share capital is as follows:

Shareholder	Number of shares held	Percentage of share capital
RCS MediaGroup	8,855,101	54.627%

### *2.4. Securities with special rights; Employee share ownership: method of exercising voting rights; Voting restrictions*

No shares have been issued which confer special rights of control nor are there any employee share ownership schemes involving specific mechanisms for exercising voting rights. The Company's By-laws do not contain any restrictions on voting rights.

### *2.5. Shareholder agreements under Art. 122 of Legislative Decree 58/1998*

At 31 December 2010 the Company was aware of the following shareholder agreement falling within the scope of Art. 122 of Legislative Decree 58/1998:

- A shareholder agreement dated 11 November 2008 between RCS MediaGroup S.p.A., with registered office in Via San Marco no. 21, Milan, and Paolo Barberis, born in La Spezia on 8 December 1967, relating, as communicated by the parties, to 8,025,101 Dada S.p.A. shares held by RCS MediaGroup S.p.A. and 870,000 Dada S.p.A. shares held by Paolo Barberis, for a total of 8,895,101 Dada S.p.A. shares, corresponding to 54.87% of total ordinary shares in issue.

On 11 February 2011 RCS MediaGroup announced that it had approved and executed an agreement on the same date to terminate the above shareholder agreement dated 11 November 2008 between RCS MediaGroup and Paolo Barberis.

### *2.6 Change of control clauses*

There are no significant agreements to which Dada or its subsidiaries, as defined by Art. 93 of Legislative Decree 58/1998, are parties and which could become effective, be amended or cancelled following a change of control of Dada S.p.A., except for the agreement between Dada

Ent. Inc and Sony BMG Music Entertainment to supply the Sony group's musical content, which could be cancelled following a change of control of Dada S.p.A., defined as a default event attributable to Dada Ent. Inc.

## *2.7 Direction and coordination*

As required by Art. 37, no.2 of the Consob Market Regulations, it is reported that Dada S.p.A. is not under the direction and coordination of its majority shareholder RCS MediaGroup S.p.A. In fact, the latter does not exercise formal or even de facto influence over Dada's operations. Dada S.p.A. has under its own operational, trading and financial autonomy and independently examines and approves its own transactions and strategic plans, as well as its own procedures and organizational, management and control models. Attention is drawn in this regard to the contents of the majority shareholder's corporate governance report (published on the same day as approving the present report), which states that the RCS Board of Directors exercises its strategic functions (for example that of approving significant transactions), without prejudice to the management autonomy of subsidiaries with shares listed on regulated markets which are not subject to direction and coordination by RCS MediaGroup S.p.A.; RCS also underlines such independent responsibility with reference to activities for deciding internal controls.

## *2.8. Rules applying to amendments of the By-laws*

The By-laws can be amended:

- by resolution of the extraordinary general meeting (EGM) which, under Art. 18 of the By-laws, must be properly formed, in first and second call with participation by the percentage of share capital respectively established by Art. 2368 par. 2 and Art. 2369 par. 3 of the Italian Civil Code, and in third call with participation of shareholders representing at least one-fifth of share capital. The EGM adopts resolutions, in first, second or third call, with the favourable vote of at least two-thirds of the share capital represented at the meeting;
- by resolution of the Board of Directors, as permitted by Art. 2365 of the Italian Civil Code and Art. 22 of the By-laws, for resolutions relating to:
  - i. mergers in cases specified in Art. 2505 and Art. 2505-bis of the Italian Civil Code, including for spin-offs under Art. 2506-ter of the Italian Civil Code;
  - ii. reductions of share capital following shareholder withdrawal;
  - iii. revisions of the By-laws to comply with new statutory or regulatory provisions;
  - iv. transfer of the Company's registered office elsewhere within Italy.

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Lastly, there are no agreements between the Company and the Directors which provide for indemnity in the event of resignation or dismissal without cause or if their employment ceases following a public takeover bid.

In its meeting of 8 November 2010, the Board of Directors approved a number of amendments to the By-laws to comply with Legislative Decree 27/2010, which introduced into Italian law Directive 2007/36/EC, aimed at facilitating shareholder participation in the general meetings of listed companies. The amendments were solely the result of a need to comply with the new rules introduced by Legislative Decree 27/2010 and, so they were able to be approved by the Board of Directors in accordance with law and the By-laws.

The amendments to the By-laws related to:

- Article 11: General meetings

This article has been revised for the reduction, introduced for listed companies, in the ownership percentage required for shareholders to call general meetings, from 1/10th to 1/20th of share capital.

- Article 13: Notice of general meetings

Notices of general meetings can be published on the Company's website (as required by the new law) and in other ways permitted by Consob rules; notices can also be published in Italy's Official Gazette or in the daily newspaper "*Corriere della Sera*", although the general meeting could decide to eliminate such publication.

- Article 14: Participation in general meetings

The By-laws now contain a reference to applicable laws and regulations, which, following the introduction of Legislative Decree 27/2010, apply the record date principle. Under this principle, shareholders eligible to participate in general meetings and exercise voting rights are those holders of shares on the seventh trading day before the date of the general meeting, who have notified their intention to participate through an authorized intermediary.

The article has also been amended to allow electronic notification of proxy participation in general meetings to the Company's certified email address, of which further details are provided in the notice of the meeting.

- Art. 19: Board of Directors

The By-laws now include the new provisions introduced by Legislative Decree 27/2010 concerning the timing and procedures for publishing candidate slates for appointment of the Board of Directors.

- Art. 25: Board of Statutory Auditors

The By-laws now include the new provisions introduced by Legislative Decree 27/2010 concerning the timing and procedures for publishing candidate slates for appointment of the Board of Statutory Auditors.

Among the events subsequent to the end of 2010, on 14 March 2011 the Board of Directors convened the general meeting for 21 April 2011 (in first call) and for 22 April 2011 (in second call); the general meeting will be required to pass resolutions on further amendments to the By-laws described in the related report by the Board of Directors provided to shareholders within the legally required term.

## 3. Board of Directors

### *3.1. Role and functions of the Board of Directors*

Art. 1 of the Corporate Governance Code states that:

1. The company shall be governed by a Board of Directors that meets at regular intervals, and which organizes itself and operates in such a way as to ensure that its duties are conducted both effectively and efficiently.

2. The directors shall behave and pass resolutions autonomously and in full knowledge of the facts, in pursuit of the priority goal of creating value for the shareholders. Consistent with this goal, if the company is legally under the direction and coordination of another and/or control of another entity, the directors shall also take account of the directives and policies established for the group to which the company belongs, if any, as well as the benefits arising from the membership of such group.



## APPLICATION GUIDELINES

i) In discharging its responsibility of determining and pursuing the strategic goals of the company and group it heads and in addition to those duties falling to it under the by-laws, the Board of Directors is also, if appropriate, by way of internal limitation on the delegated powers to be exercised in respect of third parties, the exclusive body which:

a) examines and approves the company's strategic, operational and financial plans and the corporate structure of the group it heads;

b) evaluates the adequacy of the organizational, administrative and accounting structure of the company and its strategic subsidiaries, as established by the executive bodies, particularly with regard to the internal control system and the management of conflicts of interest;

c) delegates and revokes powers to executive directors and to the executive committee and to general managers, if any, specifying the limits on such powers and how they shall be exercised; it also determines the frequency, in any case at least once every three months, with which such executive bodies shall report to the Board on the activities performed in the exercise of the authority delegated to them;

d) determines, after examining the proposals of the Compensation Committee and consulting the Board of Statutory Auditors, the remuneration of the executive directors and of those directors who have been appointed to hold particular office and, if the general meeting has not already done so, it divides the Board's overall remuneration between its individual members;

e) evaluates the company's general performance, paying particular attention to the information received from the executive bodies, and periodically comparing the results achieved against budget;

f) examines and gives prior approval to transactions carried out by the company and its subsidiaries that are of strategic significance or have a significant impact on the company's balance sheet, income statement and cash flows, paying particular attention to transactions in which one or more directors has an interest on their own account or on account of third parties and, in more general terms, to related party transactions; to this end, the Board establishes general guidelines for identifying significant transactions;

g) evaluates, at least once a year, the size, composition and performance of the Board of Directors and its sub-committees, possibly identifying new professional figures whose presence on the Board is thought to be desirable;

h) provides information, in the corporate governance report, on the application of Article I of the Code and, in particular, on the number of meetings of the Board of Directors and of the Executive Committee, if established, held during the financial year, plus the related attendance record of each director in percentage terms.

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The recommendations of the Corporate Governance Code described above are reflected in the Company's corporate governance system which attributes a central role to the Board of Directors; in fact, Art. 22 par. 1 of Dada's By-laws establishes that "The governing body is invested with the widest powers for the Company's ordinary and extraordinary administration and can therefore carry out every action deemed necessary to implement and achieve the corporate purpose, with the sole exception of those operations that, under law or these by-laws, are the prerogative of the general meeting", while Art. 20 (e) of the By-laws, in keeping with the internal corporate governance code, establishes that "The Board of Directors can delegate its powers to an Executive Committee and/or to one or more directors, determining limits on the power delegated. The powers specified in Art. 2381 of the Italian Civil Code

cannot be delegated, nor those forbidden by current legislation. The Executive Committee and the Executive Directors report to the Board of Directors at the earliest subsequent board meeting on transactions they have carried out with the greatest impact on the Company's balance sheet, income statement and cash flows.

In particular, they report on transactions involving potential conflicts of interests or on those of an atypical or unusual nature relative to the Company's ordinary operations. The same information must be provided to the Board of Statutory Auditors.

In addition to the powers that cannot be delegated by law, the following matters are the exclusive prerogative of the Board of Directors:

- the determination of general management strategy;
- the remuneration of directors appointed to carry out particular duties, and where the general meeting has not already done so, the division of the overall compensation approved for directors between individual members of the Board of Directors and the Executive Committee;
- the formation of committees and commissions, determining their duties, responsibilities and rules of procedure, including with the purpose of shaping the corporate governance model to that established by the Self-Regulatory Code;
- the approval of transactions with a significant impact on the Company's balance sheet, income statement and cash flows, with particular reference to related party transactions.

The governing body can also appoint general managers, determining their duties and powers, and can also grant powers of attorney for individual deeds or categories of deed".

The criteria for determining particularly significant transactions that cannot be delegated were already indirectly established, qualitatively and quantitatively, through the structure of delegated powers decided by the previous Board of Directors in its meeting of 3 December 2008 and later confirmed in the meeting of 8 May 2009, following appointment of the new Board of Directors at the general meeting on 23 April 2009; quantitatively, significant transactions were defined as all those transactions whose value exceeded €3 million, while, qualitatively, they were defined, irrespective of amount, as the approval of the Company's strategic, business and financial plans and of the Group's corporate structure, as spin-offs, mergers, acquisitions, disposals and contributions of equity interests, shares and business lines, the formation of joint ventures, the purchase of property and other fixed assets, the grant and receipt of material loans.

For the sake of clarifying identification of significant transactions, although still applying the above criteria, on 12 February 2007 the Board of Directors approved a set of procedures for completing and executing significant transactions, transactions with related parties or in which a director has an interest.

Although the criteria for determining significant transactions were and are already partly defined indirectly through the structure of delegated powers and particularly by the qualitative and quantitative limits, they were specifically set out in the above procedures for significant transactions, transactions with related parties or in which a director has an interest; these procedures specify the criteria for identifying significant transactions, which include the most significant extraordinary transactions, whose value nonetheless exceeds €3 million, and at the same time, they set out the procedures for approval of such transactions by the Board or with the prior involvement of third-party experts and the Internal Control Committee.

Lastly, Art. 22 par. 2 of the By-laws makes the governing body responsible, under Art. 2365 of the Italian Civil Code, except where otherwise provided by Art. 2420-ter and Art. 2443 of the Italian Civil Code, for resolutions concerning:

- a) mergers in cases specified in Art. 2505 and Art. 2505-bis of the Italian Civil Code, including for spin-offs under Art. 2506-ter of the Italian Civil Code;
- b) opening or closure of branch offices;
- c) reductions of share capital following shareholder withdrawal;
- d) revisions of the by-laws to comply with new statutory or regulatory provisions;
- e) transfer of the company's registered office elsewhere within Italy.

Under Art. 24 of the By-laws, the Board of Directors appoints, with the prior obligatory approval of the Board of Statutory Auditors, the Financial Reporting Officer required under Art. 154-bis of Legislative Decree 58/98. The person appointed must have adequate accounting and financial expertise gained in senior management positions in reporting/accounting and/or finance and/or control functions within the Company and/or other public limited companies. The Board of Directors can establish the term of the appointment and may, again with the prior obligatory but non-binding opinion of the Board of Statutory Auditors, revoke the Financial Reporting Officer's appointment and nominate a replacement.

The Board of Directors has appointed Mr. Federico Bronzi as Financial Reporting Officer under Art. 154-bis of Legislative Decree 58/98.

During its meetings (particularly that on 8 May 2009, which will be discussed in more detail shortly) the Board of Directors has approved a corporate governance system in compliance with the foregoing principles and reflected in the current system of delegated powers and proxies.

During its meetings the Board has also examined and approved strategically important transactions and those with a significant impact on the balance sheet, income statement and cash flows of the Company and its subsidiaries.

The Board has also approved the Group's structure and, during the meeting to approve the present report, has positively evaluated the organizational, administrative and general accounting structure of the Company and its strategic subsidiaries; the administrative structure has been examined in various ways, including through the activities of the Internal Control Committee, and is based on a system of procedures and controls, partly centralized with the parent company's head office; it is also reported that Dada S.p.A. and its strategic subsidiaries have an internal control system reflected in a series of analyses and procedures.

As confirmed at the meeting to approve the present report, the Board defines strategic subsidiaries as every subsidiary defined in law whose principal business is in the sectors of internet and communications and whose financial statements must be audited in accordance with the Financial Services and Markets Act, or every subsidiary defined as strategic by the company's Chairman by virtue of the size of its earnings, balance sheet or cash flows or other particular characteristics of its business.

The Board has also established that executive bodies must report at least every quarter on the activities performed in the exercise of the powers delegated to them.

With reference to significant transactions, related party transactions and conflicts of interest, the procedures already applied under the Self-Regulatory Code have been confirmed with approval of the specific procedures for completing and executing significant transactions, transactions with related parties or in which a director has an interest.

Consob has adopted, in Resolution no. 17221 dated 12 March 2010, as later amended by Resolution no.17389 dated 23 June 2010, a set of "Regulations governing related party transactions" for issuers of listed shares (directly or through their subsidiaries), in order to reflect the new rules aimed at ensuring the transparency and substantive and procedural fairness of such transactions. These regulations are structured around two key areas: rules governing public disclosure, including in relation to transactions independently conducted by

subsidiaries, which came into force on 1 December 2010, and procedural rules governing the conduct of related party transactions, which came into force on 1 January 2011. Given these new rules, the Board of Directors has adopted new procedures, based on the Consob Regulations, governing related party transactions and in compliance with the adoption process envisaged by these regulations. With regard to this adoption process, in its meeting on 20 October 2010 the Board of Directors voted to appoint Salvatore Amato, Danilo Vivarelli and Alessandro Foti, by virtue of their status as independent directors, as members of the committee required to express an opinion on the procedures for related party transactions, in accordance with Art. 4 par. 3 of the Consob Regulations. This committee met on 2 November 2010, in the presence of the Board of Statutory Auditors, and expressed a favourable opinion on the proposed procedures for related party transactions, which were then examined and approved by the Board of Directors in its meeting on 8 November 2010; as a result, the previous procedures for completing and executing significant transactions, transactions with related parties or in which a director has an interest have been partially amended and repealed, so that only the part relating to significant transactions or transactions in which a director has an interest still remain in force. These procedures also serve to guide the conduct of every subsidiary, to the extent applicable. More details about the new procedures can be found in the subsequent section on "Directors' interests and related party transactions".

With regard to the maximum number of other appointments which each director of Dada S.p.A. may hold in companies listed on regulated markets or whose shares are listed on regulated markets (including overseas), or in financial, banking, insurance or other large companies, the Board has carefully evaluated the limits that are compatible with effectively performing the duty of director.

Further to this evaluation, it was decided to introduce a limit on the maximum number of other appointments that each director of Dada S.p.A. could hold in companies listed on regulated markets or whose shares are listed on regulated markets (including overseas), in financial, banking, insurance or other large companies, and which takes account of the role covered by the director and whether or not the companies involved are members of the Dada Group or otherwise. The limits introduced have not given rise to any problems or incompatibilities with the offices effectively held by directors of Dada S.p.A..

In detail, no executive director of Dada may hold any other executive director positions in other large companies (as listed above), but are permitted to hold up to seven appointments as a non-executive director, including as an independent director, or standing statutory auditor (or member of another supervisory body) of large companies.

Similarly, every Dada non-executive director is permitted to hold up to 5 executive directorships in other companies listed on regulated markets as specified above, and up to 12 non-executive directorships.

A number of exceptions apply to these rules:

- appointments held within the Dada Group or in direct or indirect subsidiaries of Dada S.p.A. are not calculated;
- appointments held in parents, subsidiaries or companies under common control with the company are treated like a single appointment.

Lastly, it should be noted that these limits are not mandatory since the Board of Directors has reserved the right to make exceptions to such limits through adoption of a justified resolution.

After examining the proposals of the Compensation Committee and consulting the Board of Statutory Auditors, the Board has also determined, as better described in the rest of this

report, the remuneration of the Chairman and the Chief Executive Officer, as well as dividing the overall compensation for directors approved by the general meeting between the individual Board members.

In accordance with the By-laws, the Board of Directors meets at least once every quarter, also to inform the Board of Statutory Auditors on the activities undertaken and on the most important economic and financial transactions carried out by the Company or its subsidiaries, and to report on any transactions involving potential conflicts of interest or that are influenced by any entity that exercises direction and coordination over the Company.

The frequency of Board meetings must ensure consistent exercise of all the powers delegated by the Board of Directors to the Executive Committee, if formed, to Executive Directors, to General Managers and to individual special proxies.

The Board of Directors held 8 meetings during 2010; at the date of preparing the present document, the Board of Directors had already met once during 2011 and plans to meet at least 6 times during the year; the By-laws establish that the Board shall meet at least on a quarterly basis. The attendance record of each director at meetings is presented in table 1 appended to the present report.

All members of the Board of Directors are provided in reasonable advance of Board meetings, except in the event of necessity and urgency, with the relevant documentation and information - including through full and detailed notes on the items on the agenda - to allow them to express themselves on an informed basis about the matters being examined, in compliance with Art. 20 (b) of the By-laws.

### *3.2. Rules applying to appointment and replacement of directors*

The Corporate Governance Code requires directors to be appointed on the basis of a transparent process. This process must ensure, inter alia, timely and adequate information on the personal characteristics and professional qualifications of the candidates. The Board of Directors evaluates whether to create a nominations committee, the majority of whose members are independent directors.

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The By-laws, as last revised on 8 November 2010, establish in Art. 19 that the Company shall be governed by a Board of Directors, comprising a minimum of 3 up to a maximum of 15 members appointed, including from non-shareholders, by the general meeting which decides its size on each occasion.

Members of the Board of Directors remain in office for three years, with their mandate expiring on the date of the general meeting that approves the financial statements for their last year in office, or for a period decided by the general meeting in compliance with Art. 2383, par. 2 of the Italian Civil Code.

The directors must satisfy the requirements of current legal regulations and of the By-laws and are eligible for re-election. In addition, a certain number of directors, in any case not less than the legal minimum, must qualify as independent, as defined in Art. 148 par. 3 of Legislative Decree 58/1998.

The Board of Directors is appointed by the general meeting through voting for slates presented by shareholders who own at least 2.5% of subscribed share capital at the date of

presenting the slate or such lower percentage established by statutory and regulatory provisions. Each slate must contain a number of candidates qualifying as independent, as defined in law, corresponding to at least the minimum required by applicable legislation.

The slates of candidates for the office of director, accompanied by comprehensive information on the personal details and professional qualifications of the candidates, accompanied by any statements of their eligibility to qualify as independent directors in the sense of the Code, are filed at the Company's registered office at least twenty-five days before the date fixed for the general meeting. The slates, accompanied by the candidates' details, are promptly published on the Company's website. The directors are elected as follows:

a) all the directors, based on the size of the Board established by the general meeting, except for the minimum number reserved by law to the minority slate, are taken from the slate obtaining the majority of votes, in the sequential number order in which the candidates appear therein;

b) the minimum number of directors reserved by law to the minority slate are elected, in sequential number order, from the slate which obtained the second highest number of votes and which is not connected, either directly or indirectly, with the slate in a) or with the shareholders who submitted or voted for the slate in a).

For the above purposes, any slates which fail to obtain a percentage of votes equal to at least half of the percentage required to submit such slates, are not taken into account.

If only one slate is presented, or no slates at all, or if the slate voting mechanism does not ensure the election of the legal minimum number of directors under the By-laws, the general meeting appoints the Board of Directors or additional members to make up its number in accordance with the legally required majority.

If, during the course of the financial year, one or more directors should leave office, the By-laws allow the Board of Directors to replace them, under Art. 2386 of the Italian Civil Code, by adopting resolutions, approved by the Board of Statutory Auditors, as follows:

a) the Board of Directors replaces the outgoing director with someone from the same slate, with this appointment confirmed by majority vote of the general meeting;

b) if this slate contains no unelected candidates, or candidates with the required qualifications, or if, for whatever reason it is not possible to proceed in accordance with a), the Board of Directors makes the replacement, which will be subsequently approved by the general meeting, voting with the legally required majority and without slate voting.

In relation to the present point, it should be noted that in its meeting of 9 May 2006, the Board exercised a right included in the Self-Regulatory Code, and voted not to re-elect a Nominations Committee, also in view of changes in the Company's ownership structure; this decision is also shared by the present Board of Directors. The Self-Regulatory Code recognizes that this committee is usually formed in companies with widely held shares, in order to ensure a suitable degree of director independence with respect to management, and that it plays an important role in identifying candidates for the office of director in companies with a wide shareholder base.

The two directors who resigned, one during the course of 2010 and one after then end of the year, have both been replaced, as discussed in the next section.

### *3.3. Composition of the Board of Directors*

The current Board of Directors of Dada S.p.A., appointed by slate voting at the general meeting on 23 April 2009, as integrated at the subsequent meeting on 19 April 2010 - with the exception of the director Stanislao Chimenti, co-opted by the Board of Directors on 8

November 2010 to replace Giorgio Valerio following his resignation, and the director Alberto Bianchi, co-opted by the Board of Directors on 11 February 2011 to replace Paolo Barberis following his resignation, both of whom appointed by the Board with the legal majority since there were no other unelected candidates on the slate from which the outgoing directors came - has 14 members, whose term in office expires at the general meeting to approve the financial statements for the year ended 31 December 2011, except for Stanislao Chimenti and Alberto Bianchi whose mandate will end, in accordance with law, at the Company's next general meeting.

The general meeting of 23 April 2009 also appointed Paolo Barberis as Chairman of the Company's Board of Directors and passed a resolution to exonerate the directors from the non-competence obligations under Art. 2390 of the Italian Civil Code. It is also reported that after Paolo Barberis resigned as a director and Chairman of the Board of Directors of Dada S.p.A. in the meeting on 11 February 2011, the Board of Directors co-opted, in accordance with the By-laws, Alberto Bianchi as the new Chairman of the Board of Directors of Dada S.p.A.

Name and office	Place and date of birth
Alberto Bianchi (Chairman)	Pistoia, 16/05/1954
Barbara Poggiali (CEO and General Manager)	Milan 04/03/1963
Lorenzo Lepri (Deputy General Manager and CCO)	Rome 11/12/1971
Salvatore Amato	Florence 23/05/1956
Alberto Bigliardi	Curtatone (Mantua), 03/11/1946
Claudio Cappon	Rome 09/07/1952
Giorgio Cogliati	Rome 04/03/1964
Alessandro Foti	London (UK) 26/03/1963
Matteo Novello	Camposampiero (Padua) 4/12/1962
Monica Alessandra Possa	Milan 18/10/1964
Vincenzo Russi	Lanciano (Chieti) 01/01/1959
Riccardo Stilli	Sanremo (Imperia) 01/06/1962
Stanislao Chimenti	Rome 19/04/1965
Danilo Vivarelli	La Spezia 06/06/1964

On 8 May 2009, at its first meeting since appointment by the general meeting on 23 April 2009, the Board of Directors confirmed the same organizational structure and signatory powers approved by the previous Board of Directors on 3 December 2008, which had Paolo Barberis as Chairman, in a strategic role, Barbara Poggiali as Chief Executive Officer and Lorenzo Lepri as Chief Corporate Officer. In the same meeting of 8 May 2009, the Board of Directors appointed the CEO Barbara Poggiali and the director Lorenzo Lepri as General Manager and Deputy General Manager respectively, specifying that both these appointments were for internal purposes only with no statutory value.

The CEO Barbara Poggiali was given powers in every operational area with a maximum limit of €1 million per transaction, rising to €3 million in the event of public tenders, and with the authority to grant third parties powers of attorney.

In view of the foregoing, the Executive Directors in 2010 were the Chairman Paolo Barberis, based on his strategic role in the company, the Chief Executive Officer Barbara Poggiali, and the director Lorenzo Lepri, by virtue of his position as Deputy General Manager with specific powers of attorney.

The director Lorenzo Lepri – who, as mentioned, also holds the position of Deputy General Manager – has a power of attorney to sign on behalf of the Company for up to €500,000 per individual transaction in the following areas: market and investor relations; control, administration, finance and tax; procurement, resources, logistics and offices; legal affairs and litigation; mergers and acquisitions; strategic planning.

In compliance with the requirements of Art. 1.C.2 of the Self-Regulatory Code, the most significant positions held by members of the Board of Directors of Dada S.p.A. at 31 December 2010 (including therefore appointments in other listed companies and in financial, banking, insurance and other large companies) are listed below.

- Alberto Bigliardi, Director of Lucchini S.p.A., TOP - Terminal Offshore Piombino S.p.A. and Lucchini RS S.p.A., Chairman of the Board of Statutory Auditors of HDI Assicurazioni S.p.A.;
- Giorgio Cogliati: Director of RCS Periodici S.p.A., RCS International Newspapers BV. and RCS International Books BV
- Alessandro Foti, Independent Director of Camfin S.p.A. and Deputy Chairman of the Board of Directors of Ferretti S.p.A.
- Matteo Novello: Chairman of Sfera Editore S.p.A., Publibaby S.p.A., Editrice Abitare Segesta S.p.A., RCS Direct S.r.l., Sfera Service S.r.l., Sfera Direct S.l., Fera Bebe S.l., Sfera Editores Espana S.l., Sfera Editores mexico S.A. and Trend Service S.A., Chief Executive Officer of DigiCast S.p.A. and Rizzoli Publishing Italia S.r.l., Director and General Manager of RCS Periodici S.p.A. and Director of RCS Digital S.p.A.;
- Monica Alessandra Possa: Director of Unidad Editorial SA;
- Riccardo Stilli, Chairman of RCS Factor S.p.A., Director of RCS Pubblicità S.p.A., RCS Libri S.p.A., Unidad Editorial SA, m-dis Distribuzione Media S.p.A. and Flammarion S.A.;
- Stanislao Chimenti, Director of Nucleco S.p.A.

The Chief Executive Officer reports during Board meetings on the most important activities performed in relation to the powers delegated and on the most important activities undertaken by the Company and its subsidiaries.

The Board of Directors has expressed and confirmed with the approval of the present report, a positive evaluation concerning its size, composition and operation. In fact, the Board meeting



on 2 December 2010 initiated the annual self-assessment of its size, composition and operation and that of its sub-committees.

It was decided to use a questionnaire for the purpose, duly approved by the Board of Directors and containing questions designed to examine the operation, size and composition of the Board and its committees.

The directors' responses to this questionnaire were then examined by the Internal Control Committee, which brought them to the attention of the Board.

The Board acknowledged that the directors' responses were largely positive and did not reveal any disparities with the Self-Regulatory Code, although containing suggestions for improvement in certain areas; in particular, the Internal Control Committee and Board of Directors noted the request in several questionnaires for earlier receipt of documents relating to meeting agendas and for the receipt of explanatory notes concerning matters discussed in any other business.

## 4. Independent Directors

The Corporate Governance Code states that an adequate number of non-executive directors must be independent, in the sense that they do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the issuer or persons linked to it, such as to influence their independence of judgement.

The Board of Directors must periodically evaluate directors' independence. The results of the Board's evaluation must be communicated to the market.

Art. 3 of the Corporate Governance Code recommends that the Board of Directors should have an adequate number of independent directors and requires the Board of Directors to evaluate the independence of its non-executive members, placing more emphasis on substance rather than the form and bearing in mind that a director is usually not regarded as being independent in the following circumstances: a) if he/she controls, directly or indirectly, the issuer also through companies under their control, trustees or through a third party, or is able to exercise a significant influence over the issuer, or participates in a shareholder agreement under which one or more persons may exercise control or significant influence over the issuer; b) if he/she is, or has been in the preceding three financial years, a top representative of the issuer, of a strategically important subsidiary, or of a company under the same control as the issuer, or of a company or entity which, including jointly with others through a shareholder agreement, controls the issuer or is able to exercise over the same a significant influence; c) if he/she has, or had in the preceding financial year, directly or indirectly (e.g. through companies under their control or companies of which he/she is a top representative, or in a capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship: - with the issuer, one of its subsidiaries, or any of its top representatives; - with a party who, jointly with others through a shareholder agreement, controls the issuer, or - in the case of a company or an entity - with the related top representatives; or is, or has been in the preceding three financial years, an employee of one of the aforementioned parties; d) if he/she receives, or has received in the preceding three financial years, from the issuer or one of its subsidiaries or parent companies, significant additional remuneration apart from the "fixed" fee as a non-executive director of the issuer, including participation in performance-related incentive schemes, including equity-settled ones; e) if he/she has been a director of the issuer for more than nine years in the last twelve years; f) if he/she is an executive director of another company in which one of the issuer's executive directors is a director; g) if he/she is a shareholder or director of a company or entity belonging

to the same network as the firm appointed to audit the issuer's financial statements; h) if he/she is a close relative of a person fitting the description contained in any of the above points.

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The Board of Directors of Dada S.p.A. appointed by the general meeting on 23 April 2009, and after co-opting Claudio Cappon as a director, had six independent directors (Salvatore Amato, Alberto Bigliardi, Claudio Cappon, Alessandro Foti, Vincenzo Russi and Danilo Vivarelli): before the general meeting, Salvatore Amato, Alberto Bigliardi, Alessandro Foti, Vincenzo Russi and Danilo Vivarelli filed (as did Claudio Cappon at the Board meeting on 27 July 2009) declarations that they qualified as independent in accordance with the new edition of the Self-Regulatory Code, with Art. 148 par. 3 of Legislative Decree 58/1998 and with the regulations of Borsa Italiana applying to the Company; in its meeting of 8 May 2009, and of 27 July 2009 in relation to Claudio Cappon, the Board of Directors confirmed that these directors qualified as independent, and reconfirmed this opinion in its meeting on 8 November 2010. Stanislao Chimenti, co-opted as a director by the Board of Directors on 8 November 2010 to replace Giorgio Valerio who had resigned, also filed a declaration stating that he qualified as independent in accordance with the new edition of the Self-Regulatory Code, with Art. 148 par. 3 of Legislative Decree 58/1998 and with the regulations of Borsa Italiana applying to the Company; the Board of Directors was of the opinion that the new director qualified as independent. In the period subsequent to the end of 2010 and shortly before the Board meeting on 11 February 2011, the director Salvatore Amato informed the Chairman of the Board of Directors and the Chairman of the Board of Statutory Auditors that he had been a director of Dada S.p.A. for 9 consecutive years and so, under the Code's criteria, he might no longer qualify as an independent director. Given his presence for many years on the Company's Internal Control and Compensation Committees, this director also expressed his willingness to resign from these two committees, particularly as Chairman of the Internal Control Committee. In its meeting on 11 February 2011 the Board examined this issue and decided to adopt a highly prudent position by declassifying Salvatore Amato as independent under the Code and accepting his resignation from the Company's two committees.

Both during financial year 2010 and at the date of approving the present report, the number and expertise of the current independent directors (identified at the date of approving the present report as Alberto Bigliardi, Alessandro Foti, Vincenzo Russi, Danilo Vivarelli, Claudio Cappon and Stanislao Chimenti), have been judged as sufficient by the Board of Directors, both in relation to the Regulations of Borsa Italiana and in relation to the formation of committees in compliance with the Code for the purposes of assuring adequate independence of judgement.

Given their declarations in accordance with the Self-Regulatory Code and the information available to the Company, the Board has reconfirmed its positive evaluation of directors' independence at the time of approving the present report.

The Board of Statutory Auditors has verified during 2010 that the assessment criteria and procedures adopted by the Board to evaluate the independence of its members were properly applied and has reported the results of this review in its report to the general meeting.

## 5. Chairman of the Board of Directors

The role of the Chairman of the Board of Directors outlined in the Corporate Governance Code is fundamental to ensuring efficient operation of the Board and efficient corporate governance: in fact, he/she is responsible for the operation of the Board, and for distribution of information between directors.

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According to the By-laws of Dada S.p.A., the Chairman of the Board of Directors is the company's legal representative, calls general meetings, which he/she chairs, verifying the proper convocation of such meetings and the procedures for voting. The Chairman also calls Board meetings and establishes the agenda, ensuring that all directors receive in due time (compatible with the need for confidentiality, and the urgency and nature of the resolutions) the documentation and information needed to be able to decide in an informed fashion.

In keeping with the Company's revised organizational structure approved by the Board on 3 December 2008 and reconfirmed by the new Board of Directors appointed by the general meeting on 23 April 2009, during 2010 the Chairman of the Board of Directors occupied a strategic role within the Group. As the Chairman cannot be viewed as the principal and effective manager in charge of running the business, it has not been thought necessary to appoint a Lead Independent Director. With reference to events subsequent to the end of 2010 and as already reported, Alberto Bianchi has taken over as Chairman following the resignation of Paolo Barberis; this has had no impact on the above decision, since Alberto Bianchi has not assumed any operational role or powers within the Company.

## 6. Treatment of price-sensitive information

The directors and statutory auditors are required to treat the documents and information acquired in the performance of their duties as confidential and to comply with the procedures adopted by the Company for the internal management of such documents and information and their disclosure to third parties.

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The Chairman and Chief Executive Officer, together with the executive directors, ensure that corporate information is correctly managed; accordingly, the Board of Directors has implemented the recommendations of the Self-Regulatory Code, and on 11 November 2006 adopted, in place of the previous procedures, new procedures to govern the internal management and external publication of "confidential information", and particularly "price-sensitive information", relating to Dada S.p.A., all its subsidiaries and/or financial instruments issued; the purpose of these procedures is to prevent non-compliance with legal obligations concerning public disclosure and market abuse and manipulation and to ensure that such information is managed internally in an adequate and confidential manner and is disclosed externally on a timely, complete and accurate basis; such procedures identify those persons entitled to handle confidential information and the criteria for its publication; these procedures were updated, mainly to reflect a number of organizational changes, at the Board meeting on 2 December 2010. These procedures also serve to guide the conduct of every subsidiary, to the

extent applicable; in addition, the procedures are connected with internal procedures, also adopted by the Board, to create, maintain and update a register of persons with access to price-sensitive information in accordance with Art. 115-bis of the Financial Services and Markets Act and with Art. 152-bis et seq of the Issuer Regulations.

### Internal dealing

On 16 March 2006 the Board of Directors of Dada S.p.A. adopted a Code of Conduct for transactions in Dada shares and related financial instruments, as subsequently amended on 11 May 2007 to comply with Art. 152-sexies et seq of the Consob Regulations adopted under Resolution no. 11971 and with the Regulations of the Markets Organized and Managed by Borsa Italiana S.p.A., which introduced "black-out periods", meaning periods in which Relevant Persons are forbidden from dealing in the company's shares, coinciding with the 15-day period preceding Board meetings called to approve annual, half-yearly and quarterly financial reports; this code replaced the previous one adopted by the Company. The Code governs the conduct that Relevant Persons must observe for transactions by themselves and persons closely related to them in Financial Instruments (as defined), also to allow Dada S.p.A. to discharge its reporting obligations to the market in accordance with the Issuer Regulations, and in accordance with the procedures and terms of the Code.

## 7. Directors' interests and related party transactions

The Corporate Governance Code recommends where related party transactions are concerned that: "The board of directors shall adopt measures aimed at ensuring that transactions in which a director has an interest, on his/her own account or on account of third parties, and transactions carried out with related parties, are performed in a transparent manner and meet criteria of substantive and procedural fairness."

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In accordance with this recommendation, the "Procedures for completing and executing significant transactions, related party transactions or in which a director has an interest" approved by the Board on 12 February 2007, already required that transactions by the Company, directly or through a subsidiary, with related parties or in which a director has a conflict of interest, should be conducted in compliance with the principles of transparency and substantive and procedural fairness, with reference to applicable legal provisions and particularly those of Art. 2391 and Art. 2391-bis of the Italian Civil Code, and related measures for implementation. In particular, the section of these procedures concerning related party transactions contained qualitative and quantitative criteria for identifying significant transactions, and required the Board to be fully informed about the terms and conditions of the transaction and about the related evaluation process; these procedures also called for independent experts or the Internal Control Committee to provide the Board with support in evaluating significant transactions. The procedures also require that, if a director has, on his/her own account or on account of third parties, a direct, or even potential or indirect interest in a specific transaction or matter presented for examination and approval by the Board of Directors, this director must promptly and fully inform the Board of Directors, as well as the Board of Statutory Auditors, as to the nature, terms, origin, and extent of this interest; this director must also leave the

meeting during the related discussion, unless the Board decides otherwise in the particular circumstances and also in view of any to reach the required quorum.

As already described, Consob has adopted in Resolution no. 17221 dated 12 March 2010, as later amended by Resolution no. 17389 dated 23 June 2010, a set of "Regulations governing related party transactions" for issuers of listed shares (directly or through their subsidiaries), in order to reflect the new rules aimed at ensuring the transparency and substantive and procedural fairness of such transactions; accordingly, on 8 November 2010 the Company's Board of Directors approved a new procedure for related party transactions, which partially amended and repealed the previous procedures for concluding and executing significant transactions, related party transactions or in which a director has an interest, which still apply but only where significant transactions or transactions in which a director has an interest are concerned. This procedure is published on the Company's website, to which reference should be made for fuller details; in compliance with the Consob Regulations, the procedure classifies related party transactions in two main categories: "material transactions" and "less material transactions"; both types require the involvement of a committee comprised solely of unrelated independent directors, namely the three independent directors who already serve on the Company's Internal Control Committee. The procedure also contains replacement mechanisms if one or more of the directors on this committee should fail to qualify as unrelated with regard to any individual transaction.

The rules applying to material transactions demand a more rigorous procedure than those applying to less material transactions (for example, the committee of independent directors is involved in negotiations and its opinion is binding; the Board of Directors has sole responsibility for their approval and the Company must also publish an information memorandum in accordance with the guidelines contained in the Consob Regulations); the procedure applying to less material transactions is simpler (calling for a non-binding opinion by a committee of non-executive, unrelated directors, a majority of whom are independent).

In the event that the committee issues a negative opinion on a material transaction, the procedure contains no provision for a so-called "whitewash" mechanism, whereby the transaction could nonetheless be realized by the Board after receiving approval from a majority of unrelated shareholders in general meeting.

The definition of a related party has largely drawn from the Consob Regulations. As for the definition of transaction materiality, the procedure classifies a material related party transaction as one in which at least one of the materiality thresholds established by the Consob Regulations has a value of 5% or above. However, since Dada is a listed subsidiary of a listed parent, any transactions with its parent or its parent's related parties who are in turn also Dada's related parties, qualify as material when one of the Consob materiality thresholds exceeds 2.5% (rather than 5%).

"Less material transactions" are defined as those transactions other than material ones and other than immaterial ones, defined by the procedure as those worth less than €200,000 and to which the procedure does not apply; the procedures require less material transactions to be reported on a quarterly basis to the Board of Directors, the Board of Statutory Auditors and the Supervisory Board.

The procedure is not applicable to shareholder resolutions relating to compensation of the Board of Directors or to remuneration of directors holding particular offices forming part of overall directors' compensation determined by the shareholders, or to shareholder resolutions relating to compensation of the Board of Statutory Auditors, excluded by Consob from the scope of its regulations.

Without prejudice to the disclosure requirements of the Financial Services and Markets Act, the procedure does not apply to:

- compensation packages based on financial instruments approved by the shareholders pursuant to Art. 114-bis of the Financial Services and Markets Act and related implementation guidelines;
- resolutions, other than those referred to in the preceding point, relating to the remuneration of directors holding particular offices, as well as of key management personnel, (as long as: the Company has adopted a compensation policy; the compensation policy has been determined by a committee comprised exclusively of non-executive directors, the majority of whom independent; a report describing the compensation policy has been approved by the shareholders; the remuneration granted is in line with the policy);
- ordinary transactions concluded in accordance with market equivalent or standard conditions.
- transactions with or between subsidiaries, including those under joint control, or with associate companies when the transaction does not correspond to a material interest, as defined in the Procedure, of the Company's other related parties. For this purpose, a material interest of another related party exists when the party possesses, directly or indirectly, shares and/or financial instruments representing at least 20% of the capital or forms of remuneration linked to the results of the same company or its parent. The fact that the subsidiary or associate has one or more directors or key management personnel in common with the company and the subsidiary or associate does not constitute a significant interest.

Lastly, in the event of similar transactions that are related to one another and with certain categories of related parties, the Procedure allows the Company's Board of Directors to approve them using framework resolutions, effective for no more than one year, which are subject to the same procedural rules as material and less material transactions depending on the estimated maximum cumulative amount of the transactions covered by the framework resolution.

The new procedure for related party transactions has found its first concrete application in relation to the events recently involving Paolo Barberis, in connection with which the committee for related party transactions, comprising the same members as the Company's Internal Control Committee as required by the procedure, met on 9 February 2011 to examine and express its opinion on the settlement associated with the resignation by Paolo Barberis from the Board of Directors and as Chairman of the Board of Directors. The committee initially determined that since the transaction involved a consensual termination agreement for gross consideration of €616,666 and a non-compete and non-solicit agreement for gross consideration of €720,000, it qualified as a less material one under Art. 8 of the Procedure for Related Party Transactions approved by the Dada S.p.A. Board of Directors on 8 November 2010; also in view of the positive opinion issued by the Compensation Committee for the aspects falling under its remit, the committee for related party transactions expressed a positive opinion on the overall settlement reached with Paolo Barberis; this conclusion was reached on the basis of the fact that the transaction was solely in the Company's interest, it was substantively and procedurally fair, the consideration payable to Paolo Barberis was fair, and there were no specific related party risks in connection with the process followed, the termination achieved by the agreements in question and the non-compete agreement; the transaction was therefore referred to the Board's examination and approval, which it duly gave in accordance with the Procedure at its meeting on 11 February 2011.

## 8. Establishment and operation of sub-committees of the Board of Directors

The Self-Regulatory Code states that the Board of Directors shall establish from among its members one or more committees to act in an advisory and consultative capacity, as specified in subsequent articles.

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The Committees are therefore created and operate in accordance with the principles and application guidelines of the Self-Regulatory Code, as described below. The Board of Directors has approved the rules of procedure for the two committees formed by the Board: the Compensation Committee and the Internal Control Committee.

## 9. Compensation Committee

The internal Corporate Governance Code recommends that the remuneration of directors be set at a sufficient level to attract, retain and motivate directors with the professional experience needed to manage the Company successfully and that the remuneration of executive directors be structured in such a way as to align their interests with the priority goal of creating medium/long-term value for the shareholders.

The above code also provides that Board of Directors shall establish a compensation committee, made up of non-executive directors, the majority of whom are independent.

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The Board of Directors has established a Compensation Committee, which currently comprises - following confirmation of its appointment by the Board of Directors on 8 May 2009 and the resignation from this committee by Salvatore Amato and his replacement by Alessandro Foti approved by the Board on 11 February 2011 - the following non-executive directors, the majority of whom are independent: Danilo Vivarelli (Chairman), Monica Alessandra Possa and Alessandro Foti. Alessandro Foti was selected as a new member of the Committee because of his status as an independent director under the Self-Regulatory Code and also because of his knowledge and experience of finance, like Danilo Vivarelli, one of the other committee members.

The duties of this Committee, as confirmed by the Board of Directors when approving the committee's rules of procedure, are as follows:

- to present the Board with proposals on the remuneration of executive directors and other directors holding particular office, and to monitor the application of decisions adopted by the Board itself;
- to evaluate periodically the criteria adopted for the remuneration of key management personnel, to monitor their application on the basis of the information provided by the executive officers and to submit general recommendations on this topic to the Board of Directors;
- with reference to stock options and other share-based incentive schemes, the Compensation Committee presents the Board its recommendations on their use and all relevant technical aspects in relation to their structure and application, and in particular it makes proposals to the Board concerning the most appropriate incentive schemes and monitors the progress and application of plans approved by the shareholders at the Board's proposal.

The decisions of the Compensation Committee are made in such a way that no director can influence the determination of his/her remuneration, with participation permitted in only that part of meetings when such remuneration is not being discussed.

The general meeting of 23 April 2009 voted an overall compensation for the Board of Directors, as well as the amount of attendance fees for board and committee meetings.

The Board, with the assistance of the Committee, has determined the remuneration of directors holding particular office, a significant portion of which is linked to the achievement of targets set by the Board. Similarly, a significant portion of the remuneration of key management personnel has been linked to the achievement of specific targets.

The remuneration of non-executive directors, established by the Board of Directors at €10,000 each, is in line with the duties requested of them and is not related to the Company's performance. The executive directors and key management personnel are also beneficiaries of share-based payments (under stock option plans), being considered an effective instrument for incentivizing and retaining management.

During 2010, the Committee analysed the remuneration of the Company's top management and presented the Board of Directors with recommendations on the fixed and variable remuneration of directors holding particular office; the Committee also presented general criteria for the remuneration of top managers and specific plans to incentivize and retain certain specific top managers.

The Committee keeps minutes of all its meetings in accordance with its approved rules of procedure.

## 10. Internal control

The Corporate Governance Code defines the internal control system as the set of rules, procedures and organizational structures aimed at allowing the business to be run in a sound and correct fashion consistent with its established goals, by adequately identifying, measuring, managing and monitoring the principal risks.

An effective internal control system helps to safeguard a company's assets, and to guarantee the efficiency and effectiveness of its business transactions, the reliability of its financial information, and its compliance with laws and regulations. The Board of Directors evaluates the adequacy of the internal control system with respect to the business's characteristics.

The Board of Directors ensures that its evaluations and decisions relating to the internal control system, the approval of the annual and half-yearly financial reports and the relationships between the company and the external auditing firm are supported by adequate preliminary activity. To this end, the Board of Directors establishes an internal control committee, made up of non-executive directors, the majority of whom are independent. If the issuer is controlled by another listed company, the internal control committee is made up exclusively of independent directors. At least one member of the committee must have adequate experience in accounting and finance, to be assessed by the Board of Directors at the time of his/her appointment.

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In compliance with the provisions of law and the internal Corporate Governance Code, and following its latest appointment by the Board of Directors on 8 May 2009, the Internal Control Committee of Dada S.p.A. was entirely made up of independent directors during 2010 as follows: Salvatore Amato (Chairman), Alessandro Foti and Danilo Vivarelli; of their number, both Mr. Foti and Mr. Vivarelli have adequate accounting and financial experience.



The Board of Directors has appointed the CEO Barbara Poggiali as the person responsible for supervising the operation of the internal control system.

Among the events subsequent to the end of 2010, Salvatore Amato presented his resignation from the Committee to the Board of Directors on 11 February 2011; he was replaced by Vincenzo Russi, an independent director, while Alessandro Foti, already a committee member, took over the position of committee chairman, vacated as a result of this resignation.

As indicated in its rules of procedure, the Internal Control Committee performs advisory and consultative functions as well as assisting the Board of Directors in discharging its duties, indicated in the Self-Regulatory Code, and also: a) evaluates, together with the financial reporting officer and the external auditors, the correct utilization of the accounting principles and their consistency for the purposes of preparing the consolidated financial statements; b) expresses, at the request of the executive director so charged, opinions on specific aspects relating to the identification of the principal business risks as well as on the design, implementation and management of the internal control system; c) examines the work programme prepared by the internal control officer as well as the periodic reports prepared by this person; d) evaluates the proposals submitted by the external auditing firm for obtaining the related appointment, as well as the work programme prepared for the audit and the results described in the audit report and management letter; e) monitors the effectiveness of the audit of the accounts; f) discharges any additional duties that are assigned to it by the Board of Directors in relation to related party transactions; g) reports to the Board of Directors, at least once every six months on the occasion of the approval of the annual and half-yearly financial reports, on the activities carried out and on the adequacy of the internal control system.

The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him attends meetings of the Internal Control Committee.

In accordance with recommendations of the Self-Regulatory Code, the Board of Directors, with the Committee's assistance, has defined guidelines for the internal control system and has periodically verified the adequacy and effective operation of controls, including on occasion of examining and approving the Committee's half-yearly reports on its activities.

At the Committee's proposal, the Board has also approved guidelines for the control system so that the principal risks facing the issuer and its subsidiaries are correctly identified, and adequately measured.

The Board performed its annual evaluation of the adequacy, efficiency and effective operation of the internal control system during its meeting on 14 March 2011 after being presented with the Committee's report on its activities during the second half of 2010; the Board's positive conclusions were also supported by the contents of this report and the results of the Committee's work. The Committee keeps minutes of all its meetings in accordance with its approved rules of procedure.

In terms of the structure of control, Carlo Ravazzin was confirmed in 2010 in his position as Internal Control Officer. The purpose of this position is to verify whether "line" and operational controls are adequate relative to the potential risks, to make recommendations to management and the Internal Control Committee, where necessary, on the adoption of every suitable measure for eliminating financial risks and for improving the efficiency and effectiveness of business processes.

This officer's work continually focuses on identifying other areas of risk for reporting to the Internal Control Committee so that suitable measures can be adopted.

The Internal Control Officer reports on his/her work to the Internal Control Committee and to the Board of Statutory Auditors; this officer also reports to the executive director responsible for supervising the operation of the internal control system. In particular, this officer reports on how risks are managed, as well as on the observance of plans agreed for their containment.

The Internal Control Officer and the Internal Control Committee work with the Group's Supervisory Board, set up under Legislative Decree 231/2001, on the application and verification of procedures under Legislative Decree 231/2001 (governing the administrative liability of legal persons), in order to adopt the most appropriate methods of prevention and control. The Supervisory Board was re-established following the Board's reappointment by the shareholders in April 2009 and comprises Danilo Vivarelli, an independent director, Claudio Pastori, a statutory auditor, and Carlo Ravazzin, the Internal Control Officer. During 2010 the Supervisory Board undertook ongoing verification and consequent updating of the organizational model, with particular regard to issues of workplace safety, computer crimes and copyrights, as subsequently approved by the Company's Board of Directors.

The Internal Control Committee then defines procedures for examining, identifying and resolving new potential areas of risk in view of current organizational structures and levels of responsibility.

During 2010, the Internal Control Committee approved the proposed guidelines for the internal control system, as subsequently validated by the Company's Board of Directors, and it examined the issues brought to its attention by the Internal Control Officer.

Of particular note was the Committee's work on reviewing administrative-accounting procedures adopted by the Company and related remediation activities, the results of the enterprise risk management process started by the Company, and the state of progress of SAP projects. The Committee was particularly involved in the Enterprise Risk Management project to report and evaluate strategic, operating, financial and compliance risks, as well as in updating the controls for mitigating such risks, with a view to defining an audit plan.

It is also recalled that members of the Internal Control Committee have played a key role in approving the new procedure for related party transactions and in its application, since they are also members of the committee for related party transactions established under this procedure.

The Company has also established an internal audit department, headed up by the Internal Control Officer, who is independent of the Company and has been selected to head this function because of the expertise and experience already gained in respect of the Dada Group.

The issuer's external auditors are the firm of Reconta Ernst & Young S.p.A., appointed by the general meeting in April 2006 for the period 2006-2011.

Federico Bronzi has been appointed as the Financial Reporting Officer. He has been the Finance Director of Dada S.p.A. since 2000 and satisfies all the requirements under the By-laws for the position of financial reporting officer, meaning that he has adequate expertise in the field of accounting and finance, gained in senior management positions in reporting/accounting and/or finance and/or control functions within the Company and/or other public limited companies.

With regard to Art. 36 and Art. 39 of Consob Regulation 16191/2007 as amended (the "Market Regulations") concerning non-EU subsidiaries, the Company has preliminarily identified its subsidiaries incorporated and governed by law of nations outside the European Union ("Non-EU Companies") which are considered to fall under the scope of the provisions of these articles. Based on the figures reported in the prior year financial statements and on auditing activities, at

31 December 2010 two subsidiaries have exceeded the individual materiality parameters contained in Art. 151 of the Issuer Regulations; they are Dada Entertainment Inc. in the United States and Dada Brasil Servicos de Tecnologia Ltda in Brazil.

These companies have been provided with relevant procedural instructions to ensure compliance with Art. 36 par. 1 of the Market Regulations, and so that they are able to:

- i) provide the appointed auditors with information needed to conduct the audit of the Company's annual and half-yearly accounts;
- ii) have an accounting-administrative system able to provide management and the Company's external auditors with the financial information needed to prepare the consolidated financial statements.

## **11. Principal characteristics of risk management and internal control systems over the financial reporting process**

### **11.1 Introduction**

The Dada Group has adopted a system of procedures and processes such as to guarantee the reliability, accuracy, integrity and timeliness of its financial information as well as to allow correct operation of the internal control system in order to monitor and mitigate the risks relating to the financial reporting process to which the business is exposed. This system of processes and procedures has been drawn up and implemented by top management in compliance with the model established by the CO.SO Framework (Entity Level Assessment). The CO.SO Framework defines the internal control system as "that system of mechanisms, procedures and instruments designed to provide reasonable assurance regarding the achievement of business objectives".

The definition and structuring of processes within the Dada Group has also taken account of its internal organization and developments within the regulatory environment. As far as definition activities are concerned, the focus has been on the ability to assess financial risk and to apply control risk self-assessment through: integrity and the code of conduct, importance of expertise, philosophy and operating style, grant of powers and responsibilities, as well as policies, processes and procedures implemented by Human Resources.

Accordingly, there are activities for ensuring that operating processes and procedures are constantly updated, and that there are suitable controls over the financial reporting process. Such activities are also designed to check that all components of the CO.SO Framework are correctly and constantly applied.

These components are as follows: control environment, risk assessment, control activities, information and communication, and monitoring.

Monitoring is also periodically carried out through internal communications, staff meetings, written expert opinions and a process which involves testing controls, agreeing remediation and action plans, and following up identified exceptions.

### **11.2 Principal characteristics**

The system of accounting and administrative procedures implemented to assure the effectiveness of internal controls over financial reporting refers to and is applied by the parent Dada S.p.A. and all its direct and indirect subsidiaries.

The two important procedures in this regard are that of "closing and reporting" and of "consolidation", which clearly define: the accounting standards adopted (as updated for amendments), the Group's chart of accounts, the structure of the consolidated reporting packages, the identification and management of intragroup transactions and the consolidation process.

The parent company has provided the above documentation to all its subsidiaries and also checks that it is correctly and effectively applied.

For internal controls over financial reporting to operate effectively, companies must establish a process for identifying and managing financial risks. The Dada Group has once again referred to the CO.SO. Framework in this regard and has particularly identified the more important areas where risks of error (including fraud) may occur in the various types of financial reporting documents, in particular the annual, half-yearly and quarterly financial reports.

This process involves a number of stages:

- a) Identification of financial reporting error risks, as well as the sources from which they might originate, with a particular focus on the more important processes and accounts for financial communication purposes;
- b) Structuring of controls over business processes to prevent and manage the error risks identified above;
- c) Performance of control and monitoring activities defined in the previous point. Tests on controls are carried out annually and relate to all the business and Group structures involved in these processes. The Dada Group has appointed Reconta Ernst & Young – the Group's sole external auditor – to perform testing activities. This engagement is limited to the provision of professional and methodological support in deciding sampling techniques and performing and documenting the periodic tests.
- d) When the above tests identify procedural deficiencies or potential areas for improvement, remediation plans are drawn up, followed by extension and repetition of the tests.

## 12. Relations with institutional investors and shareholders

The Corporate Governance Code states that the Board of Directors shall take initiatives aimed at fostering the broadest possible participation of the shareholders in general meetings and at facilitating the exercise of shareholder rights.

The Board of Directors endeavours to develop a continuous dialogue with the shareholders based on an understanding of their reciprocal roles.

The Corporate Governance Committee believes that it is in the interests of the company to establish a continuous dialogue with all its shareholders and with institutional investors, including by appointing an investor relations manager, and if appropriate, setting up a specific department for this purpose.

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The Board of Directors endeavours to ensure that relevant information about the Company as far as the shareholders are concerned is provided on a timely basis and is easy to access, so as to allow shareholders to exercise their rights in an informed manner. For this purpose, the Company has created a separate, easily identifiable and accessible section on its website (<http://dada.dada.net/it>), in which, in accordance with the provisions of law and internal procedures for managing and communicating company information, important information

concerning the issuer is made available, such as the procedures for participating in general meetings and exercising voting rights, and documentation relating to items on the agenda, including candidate slates for the office of director or statutory auditor.

The Board has also appointed the director Lorenzo Lepri as Investor Relator and created a department for this purpose.

Financial communication activities are carried out through press releases and periodic meetings with the financial community in order to pursue the principle of information symmetry and in compliance with rules governing price-sensitive information.

### 13. General Meetings

Art. 12 of the Corporate Governance Code underlines the central role that general meetings must have in the life of a company, as a fundamental forum for corporate debate and relations between the shareholders and the Board of Directors.

The Board of Directors should present for shareholder approval a set of rules governing the orderly and effective conduct of general meetings, while guaranteeing the right of every shareholder to express an opinion on matters on the agenda.

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In order to facilitate shareholder participation at general meetings, the Board of Directors convenes such meetings in locations easily reached both from the Company's headquarters and from the main station; in addition, general meetings are convened for the early afternoon in order to facilitate participation by shareholders from outside the city.

General meetings are governed by a set of regulations approved by the shareholders in 2001, with the aim of ensuring an orderly and effective conduct of such meetings. The regulations, which are available from the Company's registered office, govern the organization of general meetings, the right of shareholders to attend, powers of the Chairman to direct meetings and other issues relating to conduct of meetings.

Paragraph 2.8 "Rules applying to By-laws amendment" contains more information about the recent amendments to reflect the new statutory provisions on shareholder rights. The Company encourages and facilitates the widest possible shareholder participation at general meetings, and provides shareholders with information about the company, in compliance with rules governing price-sensitive information, that allows them to express their vote in general meetings. Participation in general meetings is governed by current statutory and regulatory provisions in this area. In order to participate in general meetings, shareholders must file a specific communication at the Company's registered office, in accordance with the procedures established in the meeting's notice, that is issued by the intermediary appointed to hold the shareholder's shares.

Without prejudice to the provisions concerning voting proxies in Legislative Decree 58/1998, shareholders eligible to participate in general meetings can be represented through a written proxy.

In accordance with the general meeting regulations, those persons who, by law or under the By-laws, are eligible to attend general meetings, must be identified at the entrance to the meeting by presenting a suitable identity document or other form of recognition and must present their admission ticket, in compliance with the procedures set out in the meeting's notice.

Company or group company employees may attend, as well as other persons whose presence the Chairman considers useful in relation to the matters to be discussed or the conduct of the meeting.

When presenting matters on the agenda or responding to questions, the Chairman may be assisted by some of the directors or statutory auditors or by other persons eligible to attend the meeting. The Chairman may change the order of discussion of the agenda relative to that in the meeting's notice and may decide to discuss items not on the agenda, unless requested otherwise by the shareholders.

The Chairman establishes the order of items on the agenda, directs and regulates the debate, giving the floor to shareholders who so request in accordance with the By-laws, to directors or statutory auditors or other persons eligible to attend the general meeting.

Accordingly, the Chairman establishes how to request the floor and the order in which speakers can speak, ensuring that they have the opportunity to make a brief reply.

The Chairman ensures that the debate is conducted correctly and adopts every suitable measure to prevent the meeting from being disturbed.

All shareholders entitled to vote are eligible to speak on the matters being discussed in order to request clarifications and express their opinions. Shareholders who request the floor must speak exclusively on matters on the agenda. Anyone intending to speak must present a written request to the Chairman, indicating which item on the agenda their question addresses; such a request may be made from the time the Chairman has read out the agenda until when the Chairman declares discussion on the particular matter closed.

The Chairman can establish at the opening of debate, also in view of the contents of the agenda, a maximum duration for each intervention and response, which in any case may not exceed 15 minutes or 2 minutes respectively, in order to foster the widest shareholder participation in the debate.

The Chairman will invite speakers and respondents to conclude if they exceed the maximum allotted time or if they address matters that are not pertinent to the agenda; the Chairman will cut short any shareholder who fails to respond to this request.

The Chairman can also request shareholders to leave the meeting for the duration of the debate, if, despite being called to order, they do not permit the general meeting to be conducted in an orderly fashion.

If considered appropriate, the Chairman may justifiably adjourn the meeting for a brief period.

Once all interventions, replies, and any responses to the replies are completed, the Chairman declares the discussion closed.

Voting at general meetings is conducted by open ballot. Before commencing the vote, the Chairman establishes the procedure for expressing, recording and counting the votes and can fix a time limit within which votes must be placed.

At the end of voting, the votes are counted and the Chairman, including with the assistance of a secretary or notary, declares the results.

The provisions of the Italian Civil Code, specific laws and the Company's By-laws apply to all matters not covered by the general meeting Regulations; in particular, under the By-laws, the Chairman shall adopt the most appropriate solutions for conducting the meeting properly.

## 14. Statutory Auditors

The Corporate Governance Code recommends that the appointment of statutory auditors takes place on the basis of a transparent process. This process ensures, inter alia, timely, adequate information on the personal characteristics and professional qualifications of the candidates.

The statutory auditors act on an autonomous, independent basis, including in respect of the shareholders who elected them.

The issuer adopts suitable measures to ensure effective discharge of the duties falling to the Board of Statutory Auditors. The Self-Regulatory Code recommends that the appointment of statutory auditors takes place on the basis of a transparent process.

\*\*\*\*\*

Art. 25 of the By-laws of Dada S.p.A. establishes that the Board of Statutory Auditors shall be appointed in ordinary general meeting and comprise three standing members, one of whom is the Chairman, and two alternate members; the members so appointed shall remain in office for three years and may be re-elected. The statutory auditors must satisfy the requirements established by law and relevant regulations, including with regard to the holding of multiple appointments. Anyone to whom disqualification or forfeiture, as defined in law, applies cannot be elected as a statutory auditor, and if elected, shall immediately lose office.

The By-laws also provide, in compliance with current statutory and regulatory provisions, that at least one statutory auditor is elected from the minority slate, and that the Chairman of the Board of Statutory Auditors is appointed by the general meeting from those statutory auditors elected on the minority slate; the By-laws also place a limit on the number of other appointments a statutory auditor may hold as a statutory auditor or director.

The By-Laws state that the slates must be filed at least 25 days before the general meeting in first call and that slates can be presented only by shareholders who, alone or together with other shareholders, own at least 2.5% of the share capital with voting rights at ordinary general meetings on the date of presenting the slate, or such lower percentage established by law or regulations.

If no slates are presented, the general meeting appoints the Board of Statutory Auditors by majority vote of the share capital represented at the meeting.

If only one slate is presented, the Chairman of the Board of Statutory Auditors is the first person on this slate, while if no slates are presented, the general meeting will appoint the Chairman.

The current Board of Statutory Auditors, appointed by the general meeting on 23 April 2009, comprises Silvio Martini Bianchi, the Chairman, Claudio Pastori and Cesare Piovene Porto Godi, as standing members, and Maria Stefania Sala and Michele Galeotti, as alternate members.

The independence of the current statutory auditors, as defined by the Self-Governance Code, was positively evaluated at the time of appointment; the Board of Statutory Auditors checked that the independence qualifications continued to apply in 2010 and confirms that this is the case with the approval of the present annual corporate governance report by the Board of Directors.

During 2010 the Board of Statutory Auditors coordinated its work with the Internal Control Committee, the Supervisory Board and with the external auditors.

## TABLES

### TABLE 1: BOARD OF DIRECTORS AND COMMITTEES

BOARD OF DIRECTORS							INTERNAL CONTROL COMMITTEE		COMPENSATION COMMITTEE		
Office	Members	Executive	Non-executive	Independent	% (*)	Other appointments (**)	Members	% (*)	Members	% (*)	
<b>Serving Directors</b>											
Chairman	Paolo Barberis	X			100						
CEO	Barbara Poggiali	X			100						
Director	Lorenzo Lepri	X			100						
Director	Salvatore Amato		X	X	87.5		X	100	X	50	
Director	Alberto Bigliardi		X	X	100						
Director	Claudio Cappon (1)		X	X	87.5						
Director	Giorgio Cogliati		X		100						
Director	Alessandro Foti		X	X	75	1	X	100			
Director	Matteo Novello		X		87.5						
Director	Monica Alessandra Possa		X		100				X	100	
Director	Vincenzo Russi		X	X	100						
Director	Riccardo Stilli		X		100						
Director	Stanislao Chimenti (2)		X		100						
Director	Danilo Vivarelli		X	X	87.5		X	100	X	100	
<b>Directors who resigned</b>											
Director	Giorgio Valerio (3)		X		50						
Number of meetings held during financial year 2010		Board of Directors: 8					Internal Control Committee: 4		Compensation Committee: 2		

(\*) Percentage attendance of Directors at meetings of the Board of Directors and Committees during financial year 2010.

(\*\*) Indicates the number of appointments held in other companies listed on regulated markets in Italy and abroad. A more detailed list of appointments can be found in section 3.3 of the Report on Corporate Governance and Ownership Structure.

(1) Co-opted as a director by the Board of Directors following the resignation of Paolo Aurelio Gatti on 27 July 2009, with his appointment confirmed at the general meeting on 22 April 2010.

(2) Co-opted by the Board of Directors on 8 November 2010 following the resignation of Giorgio Valerio.

(3) Resigned on 25 March 2010

### TABLE 2: BOARD OF STATUTORY AUDITORS

OFFICE	MEMBERS	SLATE (*)	INDEPENDENT UNDER CODE	ATTENDANCE AT STATUTORY AUDITOR MEETINGS %	NUMBER OF OTHER APPOINTMENTS (**)
<b>Serving Statutory Auditors</b>					
Chairman	Silvio Bianchi Martini	m	X	100	6
Standing Auditor	Cesare Piovene Godi	M	X	71	17
Standing Auditor	Claudio Pastori	M	X	100	29
Alternate Auditor	Maria Stefania Sala	M	X	-	
Alternate Auditor	Michele Galeotti	M	X	-	
NUMBER OF MEETINGS HELD IN CALENDAR YEAR: 5					
Slates for the election of the Board of Statutory Auditors may be presented by shareholders who, alone or together with other shareholders, own at least 2.5% (two point five percent) of shares eligible to vote at ordinary general meetings.					

(\*) M: majority slate; m: minority slate



(\*\*) Indicates the number of other appointments (as a director or statutory auditor) held in other companies of any type or size.

**TABLE 3: OTHER REQUIREMENTS FOUND IN THE CORPORATE GOVERNANCE CODE**

	YES	NO	Brief reasons for any departure from the Code's recommendations
<b>System of delegating powers and monitoring related party transactions</b>			
Has the Board of Directors delegated powers, establishing their:			
a) limits	x		
b) manner of exercise	x		
c) and frequency of reporting?	x		
Has the Board of Directors reserved for itself the examination and approval of transactions with a significant impact on the company's income statement, balance sheet and financial situation (including related party transactions)?	x		
Has the Board of Directors established guidelines and principles for identifying "significant" transactions?	x		
Are the guidelines and principles referred to above described in the report?	x		
Has the Board of Directors established specific procedures for examining and approving related party transactions?	x		
Are the procedures for approving related party transactions described in the report?	x		
<b>Conduct of the most recent appointment of directors and statutory auditors</b>			
Were the names of candidates for the office of director filed at least 10 days in advance?	x		
Were the nominations for the office of director accompanied by comprehensive information?	x		
Were the names of candidates for the office of statutory auditor filed at least 10 days in advance?	x		
Were the nominations for the office of statutory auditor accompanied by comprehensive information?	x		
<b>General Meetings</b>			
Has the company approved a set of rules for general meetings?	x		
Are the rules appended to the report (or is it specified where they may be obtained and/or downloaded)?	x		
<b>Internal control</b>			
Has the company appointed officers responsible for internal control?	x		
Are these persons hierarchically not responsible to persons in charge of operational areas of the business?	x		
Department in charge of internal control (under Art. 9.3 of the Code)			The Internal Control Officer is the Head of Internal Audit (Carlo Ravazzin).
<b>Investor relations</b>			
Has the company appointed someone to be responsible for investor relations?	x		
Department and references of person responsible for investor relations (address/tel/fax/email)	x		Investor Relations Manager: Lorenzo Lepri, Piazza Pietro Annigoni 9/b, Florence, Tel. 055 2002107, <a href="mailto:lorenzo.lepri@Dada.net">lorenzo.lepri@Dada.net</a>

<b>RESTATED CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2010</b>
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In EUR/ooo	31-Dec-10		31-Dec-09		DIFFERENCE	
	Amount	%	Amount	%	Absolute	%
<b>Net revenue</b>	<b>151.485</b>	<b>100%</b>	<b>155.101</b>	<b>100%</b>	<b>-3.616</b>	<b>-2%</b>
Chg. in inventories & inc. in own wk. capitalized	5.477	4%	5.229	3%	248	5%
Service costs and other operating expenses	-112.923	-75%	-	-71%	-2.645	2%
Payroll costs	-29.394	-19%	-29.579	-19%	185	-1%
<b>EBITDA *</b>	<b>14.645</b>	<b>10%</b>	<b>20.473</b>	<b>13%</b>	<b>-5.828</b>	<b>-28%</b>
Depreciation and amortization	-13.324	-9%	-11.362	-7%	-1.962	17%
Non-recurring income /(charges)	-3.992	-3%	-3.159	-2%	-833	26%
Impairment of fixed assets	-8.421	-6%	0	0%	-8.421	
Impairment of receivables and other provisions	-800	-1%	-1.363	-1%	563	-41%
<b>EBIT</b>	<b>-11.892</b>	<b>-8%</b>	<b>4.589</b>	<b>3%</b>	<b>-16.481</b>	<b>-359%</b>
Financial income	1.929	1%	2.095	1%	-166	-8%
Financial charges	-4.445	-3%	-4.241	-3%	-204	5%
Share of associates	0	0%	-535	0%	535	-100%
Capital gains	0	0%	6.654	4%	-6.654	-100%
<b>Profit/(loss) before taxes</b>	<b>-14.408</b>	<b>-10%</b>	<b>8.562</b>	<b>6%</b>	<b>-22.970</b>	<b>-268%</b>
Income taxes	-3.986	-3%	-1.205	-1%	-2.781	231%
<b>Net profit/(loss)</b>	<b>-18.394</b>	<b>-12%</b>	<b>7.357</b>	<b>5%</b>	<b>-25.751</b>	<b>-350%</b>
Minority interests	895	1%	-451	0%	1.346	-298%
<b>Group net profit/(loss)</b>	<b>-17.499</b>	<b>-12%</b>	<b>6.906</b>	<b>5%</b>	<b>-24.405</b>	<b>-353%</b>

\*EBITDA is gross of non-recurring charges, provisions and impairment losses of €4.8 million (€4.5 million in 2009)

<b>RESTATED CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2010</b>
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In EUR/ooo	Q4 2010		Q4 2009		DIFFERENCE	
	Amount	%	Amount	%	Absolute	%
<b>Net revenue</b>	<b>37.591</b>	<b>100%</b>	<b>40.126</b>	<b>100%</b>	<b>-2.535</b>	<b>-6%</b>
Chg. in inventories & inc. in own wk. capitalized	921	2%	1.360	3%	-439	-32%
Service costs and other operating expenses	-27.719	-74%	-30.042	-75%	2.323	-8%
Payroll costs	-6.942	-18%	-7.483	-19%	541	-7%
<b>EBITDA *</b>	<b>3.851</b>	<b>10%</b>	<b>3.961</b>	<b>10%</b>	<b>-110</b>	<b>-3%</b>
Depreciation and amortization	-3.529	-9%	-3.071	-8%	-458	15%
Non-recurring income /(charges)	-2.906	-8%	-1.663	-4%	-1.243	75%
Impairment of fixed assets	-7.055	-19%	0	0%	-7.055	
Impairment of receivables and other provisions	-370	-1%	-668	-2%	298	-45%
<b>EBIT</b>	<b>-10.009</b>	<b>-27%</b>	<b>-1.441</b>	<b>-4%</b>	<b>-8.568</b>	<b>595%</b>
Investment income	252	1%	271	1%	-19	-7%
Financial charges	-1.194	-3%	-937	-2%	-257	27%
Share of associates	0	0%	11	0%	-11	-100%
Capital gains	0	0%	6.654	17%	-6.654	-100%
<b>Profit/(loss) before taxes</b>	<b>-10.951</b>	<b>-29%</b>	<b>4.558</b>	<b>11%</b>	<b>-15.509</b>	<b>-340%</b>
Income taxes	-3.685	-10%	299	1%	-3.984	-1332%
<b>Net profit/(loss)</b>	<b>-14.636</b>	<b>-39%</b>	<b>4.857</b>	<b>12%</b>	<b>-19.493</b>	<b>-401%</b>
Minority interests	607	2%	740	2%	-133	-18%
<b>Group net profit/(loss)</b>	<b>-14.029</b>	<b>-37%</b>	<b>5.597</b>	<b>14%</b>	<b>-19.626</b>	<b>-351%</b>

\* EBITDA is gross of non-recurring charges, provisions and impairment losses of €3.3 million (€ 2.3 million in fourth quarter 2009)

**NET WORKING CAPITAL AND NET FINANCIAL POSITION OF THE DADA GROUP AT 31 DECEMBER  
2010**

In EUR/ooo	31-Dec-10	31-Dec-09	DIFFERENCE	
			Absolute	Percent
<b>Fixed assets (A) (*)</b>	<b>128,070</b>	<b>129,733</b>	<b>-1,655</b>	<b>-1%</b>
Current operating assets (B)	45,430	56,350	-10,920	-19%
Current operating liabilities(C)	-56,027	-65,013	8,986	-14%
<b>Net working capital (D)=(B)-(C)</b>	<b>-10,597</b>	<b>-8,663</b>	<b>-1,934</b>	<b>22%</b>
Provision for termination indemnities (E)	-1,315	-1,210	-105	9%
Provision for risks and charges (F)	-4,141	-2,350	-1,791	76%
Other payables due beyond one year (G)	-8,000	-8,000	0	
<b>Net capital employed (A+D+E+F+G)</b>	<b>104,025</b>	<b>109,510</b>	<b>-5,485</b>	<b>-5%</b>
Non-current financial payables	-28,541	-30,861	2,320	-8%
<b>Shareholders' equity</b>	<b>-56,709</b>	<b>-72,844</b>	<b>16,135</b>	<b>-22%</b>
<b>Assets/Liabilities held for sale</b>	<b>3,329</b>		<b>3,329</b>	
Short-term bank debt	-27,549	-12,996	-14,553	112%
Current financial receivables and derivatives	110	50	60	120%
Current financial payables and derivatives	-1,219	-1,020	-199	20%
Cash and cash equivalents	6,554	8,161	-1,607	-20%
<b>Net short-term Financial Position</b>	<b>-22,104</b>	<b>-5,805</b>	<b>-16,299</b>	<b>281%</b>
<b>Total Net Financial Position</b>	<b>-50,645</b>	<b>-36,66</b>	<b>-13,979</b>	<b>38%</b>



**CONSOLIDATED FINANCIAL STATEMENTS  
AND NOTES FOR THE YEAR ENDED 31  
DECEMBER 2010**

Registered office: Piazza Annigoni, 9b - Florence, Italy  
Share capital: EUR 2,755,711.73 fully paid in  
Florence Companies Register no. Flo17 - 68727; REA no. 467460  
Tax identification/VAT no. 04628270482

<b>CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010</b>			
	Note	2010	2009
<b>Net revenue</b>	<b>4 - 5.1</b>	<b>151.485</b>	<b>155.101</b>
Cost of raw materials and consumables		-65	-130
Chg. in inventories & inc. in own wk. capitalized		5.477	5.229
Service costs and other operating expenses		-111.962	-109.041
Payroll costs	<b>5.2</b>	-29.394	-29.579
Other operating revenue and income		20	280
Other operating costs	<b>5.3</b>	-1.590	-4.546
Provisions and impairment losses	<b>5.4</b>	-4.117	-1.363
Depreciation and amortization	<b>5.5</b>	-13.324	-11.362
Impairment of fixed assets	<b>5.5</b>	-8.422	0
<b>EBIT</b>	<b>4</b>	<b>-11.892</b>	<b>4.589</b>
Investment income	<b>5.6</b>	1.929	2.095
Financial charges	<b>5.6</b>	-4.445	-4.241
Share of profit/(loss) of associates	<b>5.7</b>	0	-535
Gain from equity investment impairment reversal	<b>5.6</b>	0	6.654
<b>Profit/(loss) before taxes</b>	<b>4</b>	<b>-14.408</b>	<b>8.562</b>
Income taxes	<b>6</b>	-3.986	-1.205
<b>Profit/(loss) from continuing operations</b>		<b>-18.394</b>	<b>7.357</b>
Non-controlling interests		895	-451
<b>Group net profit/(loss)</b>		<b>-17.499</b>	<b>6.906</b>
Basic earnings/loss per share		-1,080	0,426
Diluted earnings/loss per share		-1,039	0,453

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010</b>		
<b>In EUR/ooo</b>	<b>2010 12 months</b>	<b>2009 12 months</b>
<b>Net profit/(loss) for the period (A)</b>	<b>-18,394</b>	<b>7,357</b>
Gains/(losses) on exchange rate derivatives (cash flow hedges)	371	-479
Tax effect on other gains/(losses)	-102	132
	269	-347
Translation reserve		
Equity transaction reserve	-911	2,339
Other reserves		-63
Gains/(losses) from the translation of foreign currency financial statements	3,148	1,615
<b>Total other gains/(losses), net of tax effects (B)</b>	<b>2,506</b>	<b>3,544</b>
<b>Total comprehensive income/(loss) (A) + (B)</b>	<b>-15,888</b>	<b>10,901</b>
<i>Total comprehensive income/(loss) attributable to:</i>		
Shareholders of the parent company	-14,993	10,450
Non-controlling interests	895	-451

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010**

<b>ASSETS</b>	<b>Note</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
<i><b>Non-current assets</b></i>			
Goodwill	<b>8-9</b>	102.010	102.818
Intangible assets	<b>9</b>	13.806	15.356
Other property, plant and equipment	<b>10</b>	12.161	11.459
Equity investments in non-consolidated subsidiaries, associates and other companies	<b>11</b>	-	-
Financial assets	<b>12</b>	210	138
Deferred tax assets	<b>12</b>	6.555	10.581
<b>Total non-current assets</b>		<b>134.742</b>	<b>140.352</b>
<i><b>Current assets</b></i>			
Inventories	<b>14</b>	93	7
Trade receivables	<b>15</b>	28.661	33.960
Tax receivables and others	<b>15</b>	10.121	11.814
Financial assets held for trading		-	-
Cash and cash equivalents	<b>16</b>	6.554	8.161
<b>Total current assets</b>		<b>45.429</b>	<b>53.942</b>
Non-current assets held for sale		<b>3.691</b>	
<b>TOTAL ASSETS</b>		<b>183.862</b>	<b>194.294</b>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010**

<b>EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>31 December 2010</b>	<b>31 December 2009</b>
Shareholders' equity			
<i>Capital and reserves</i>			
Share capital	17	2.756	2.756
Share premium reserve	17	32.071	32.071
Treasury shares		0	0
Legal reserve	17	950	950
Other reserves	17	3.342	836
Retained earnings	17	35.025	28.118
Net profit/(loss)	17	-17.499	6.906
<b>Total equity, Group share</b>		<b>56.645</b>	<b>71.637</b>
<b>Non-controlling interests</b>	17	<b>65</b>	<b>1.207</b>
<b>Total shareholders' equity</b>		<b>56.710</b>	<b>72.844</b>
<i>Non-current liabilities</i>			
Bank loans (due beyond one year)	18	28.541	30.861
Provision for risks and charges	19	4.141	2.350
Provision for employee termination indemnities	20	1.315	1.210
Deferred tax liabilities		0	1.197
Other payables due beyond one year	21	8.839	9.020
<b>Total non-current liabilities</b>		<b>42.836</b>	<b>44.638</b>
<i>Current liabilities</i>			
Trade payables	22	35.811	36.789
Other payables	22	17.911	22.427
Taxes payable	22	2.684	4.600
Bank overdrafts and loans (due within one year)	19	27.549	12.996
<b>Total current liabilities</b>		<b>83.955</b>	<b>76.812</b>
Liabilities relating to assets held for sale		361	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>183.862</b>	<b>194.294</b>

**DADA GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010 (IFRS COMPLIANT)**

In EUR/000	31/12/10 (12 months)	31/12/09 (12 months)
<b>Operating activities</b>		
<b>Net profit/(loss) for the period</b>	<b>-17.499</b>	<b>6.906</b>
<i>Adjusted for:</i>		
Income from trading	-1.929	-2.095
Financial charges	4.445	4.241
Income taxes	3.986	1.205
Stock option cost	0	457
Depreciation	5.095	4.181
Amortization	8.229	7.181
Impairment of fixed assets	8.529	
Revaluation of equity investments		-6.654
Other provisions and impairment losses	4.117	1.415
Increases/(decreases) in provisions	-1.432	-158
<b>Cash flow from operating activities before changes in working capital</b>	<b>13.541</b>	<b>16.679</b>
Increase in inventories	-86	35
(Increase)/decrease in receivables	6.981	22.549
Increase/(decrease) in payables	-8.115	-20.205
<b>Cash flow from operating activities</b>	<b>12.321</b>	<b>19.058</b>
Income taxes paid	-1.613	-2.069
Interest paid	-3.658	-4.241
<b>Net cash flow from operating activities</b>	<b>7.050</b>	<b>12.748</b>
<b>Investing activities</b>		
Interest received	1.529	2.095
Purchase of equity investments:		-2.075
Control of Poundhost Group	-7.807	
Interest in Giglio S.p.A.	-1.125	
Effect of changes in scope of consolidation	-740	2.663
Sale of subsidiaries and associates		
Purchase of property, plant and equipment	-4.483	-3.802
Purchase of financial assets		
Purchase/sale of financial assets available for sale		
Purchase of intangible assets	-2.704	-2.649
Product development costs	-5.407	-5.229
<b>Net cash flow used in investing activities</b>	<b>-20.737</b>	<b>-8.997</b>

**DADA GROUP: CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31  
DECEMBER 2010 (IFRS COMPLIANT)**

In EUR/000	31/12/10 (12 months)	31/12/09 (12 months)
<b>Financing activities</b>		
Dividends paid by subsidiaries		
Repayment of loans	-26.029	-8.038
Proceeds of capital increase		
New loans	23.682	4.466
Sale of treasury shares		
Other changes	-126	31
Increase/(decrease) in bank overdrafts		
<b>Net cash flow from financing activities</b>	<b>-2.473</b>	<b>-3.541</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-16.160</b>	<b>210</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>-4.835</b>	<b>-5.045</b>
<b>Cash and cash equivalents at end of period</b>	<b>-20.995</b>	<b>-4.835</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010**

Attributed to the shareholders of the parent company												
	Share capital	Share prem. res.	Legal res.	Other reserves	Equity transaction res.	Cash flow hedge res.	Translati on reserve	Retained earnings	Net profit / (loss)	Total	Minority interests	Total equity
<b>Balance at 1 January 2010</b>	2.756	32.070	950	9.724	2.339	-738	-10.490	28.118	6.906	<b>71.637</b>	1.207	<b>72.844</b>
Allocation of 2009 profit								6.906	-6.906	0		0
Profit/(loss) for the period									-17.499	<b>-17.499</b>	-895	<b>-18.394</b>
Other comprehensive income (losses)				0	-911	269	3.148			<b>2.506</b>	0	2.506
<b>Total comprehensive income (losses)</b>				0	<b>-911</b>	<b>269</b>	<b>3.148</b>	0	<b>-17.499</b>	<b>-14.993</b>	<b>-895</b>	<b>-15.888</b>
Share-based payments				0						0		0
Decons./aquis./chg. % hd.											-247	-247
Other changes										0		0
<b>Balance at 31 December 2010</b>	<b>2.756</b>	<b>32.070</b>	<b>950</b>	<b>9.724</b>	<b>1.428</b>	<b>-469</b>	<b>-7.342</b>	<b>35.024</b>	<b>-17.499</b>	<b>56.643</b>	<b>65</b>	<b>56.710</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009**

Attributed to the shareholders of the parent company												
	Share capital	Share prem. res.	Legal res.	Other reserves	Equity transaction res.	Cash flow hedge res.	Translati on reserve	Retained earnings	Net profit / (loss)	Total	Minority interests	Total equity
<b>Balance at 1 January 2009</b>	2.756	32.070	950	9.269		-391	-12.105	20.491	7.627	<b>60.667</b>	812	<b>61.479</b>
Allocation of 2008 profit								7.627	-7.627	0		0
Profit/(loss) for the period									6.906	<b>6.906</b>	451	7.357
Other comprehensive income (losses)				-63	2.339	-347	1.615			<b>3.544</b>	-56	3.488
<b>Total comprehensive income (losses)</b>				<b>-63</b>	<b>2.339</b>	<b>-347</b>	<b>1.615</b>	0	<b>6.906</b>	<b>10.450</b>	<b>395</b>	<b>10.845</b>
Capital increase										0		0
Share-based payments				458						<b>458</b>		458
Decons./aquis./chg. % hd.										0		0
Other changes				60						<b>60</b>		60
<b>Balance at 31 December 2009</b>	<b>2.756</b>	<b>32.070</b>	<b>950</b>	<b>9.724</b>	<b>2.339</b>	<b>-738</b>	<b>-10.490</b>	<b>28.119</b>	<b>6.906</b>	<b>71.637</b>	<b>1.207</b>	<b>72.844</b>

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010 PURSUANT TO CONSOB RESOLUTION 15519  
OF 27 JULY 2006**

ASSETS	Note	31 December 2010	31 December 2009
<i>Non-current assets</i>			
Goodwill		102.010	102.818
Intangible assets		13.806	15.356
Other property, plant and equipment		12.161	11.459
Equity investments in non-consolidated subsidiaries, associates and other companies		-	-
Financial assets		210	138
Deferred tax assets		6.555	10.581
<b>Total non-current assets</b>		<b>134.742</b>	<b>140.352</b>
<i>Current assets</i>			
Inventories		93	7
Trade receivables		28.661	33.960
- of which: related parties	25	1.284	1.502
Tax receivables and others		10.121	11.814
Financial assets held for trading		-	-
Cash and cash equivalents		6.554	8.161
<b>Total current assets</b>		<b>45.429</b>	<b>53.942</b>
Non-current assets held for sale		3.691	
<b>TOTAL ASSETS</b>		<b>183.862</b>	<b>194.294</b>

**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2010 PURSUANT TO CONSOB RESOLUTION 15519  
OF 27 JULY 2006**

EQUITY AND LIABILITIES	Note	31 December 2010	31 December 2009
Shareholders' equity			
<i>Capital and reserves</i>			
Share capital		2.756	2.756
Share premium reserve		32.071	32.071
Treasury shares			
Legal reserve		950	950
Other reserves		3.342	836
- of which: related parties		2.012	2.012
Retained earnings		35.025	28.118
Net profit/(loss)		-17.499	6.906
<b>Total equity, Group share</b>		<b>56.645</b>	<b>71.637</b>
Non-controlling interests		65	1.207
<b>Total shareholders' equity</b>		<b>56.710</b>	<b>72.844</b>
<i>Non-current liabilities</i>			
Bank loans (due beyond one year)		28.541	30.861
Provision for risks and charges		4.141	2.350
Provision for employee termination indemnities		1.315	1.210
Deferred tax liabilities		0	1.197
Other payables due beyond one year		8.839	9.020
<b>Total non-current liabilities</b>		<b>42.836</b>	<b>44.638</b>
<i>Current liabilities</i>			
Trade payables		35.811	36.789
- of which: related parties	25	2.379	3.780
Other payables		17.911	22.427
- of which: related parties	25	160	391
Taxes payable		2.684	4.600
Bank overdrafts and loans (due within one year)		27.549	12.996
<b>Total current liabilities</b>		<b>83.955</b>	<b>76.812</b>
Liabilities relating to assets held for sale		361	
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>183.862</b>	<b>194.294</b>

## ACCOUNTING POLICIES AND NOTES

### 1. Company information

Dada S.p.A. is a joint-stock company incorporated in Italy and listed in the Florence Companies Register, and an issuer of shares traded in the STAR segment of the Milan Stock Exchange. Its registered office is listed in the introduction to this annual report.

The Dada Group operates in the Internet industry, where it provides computer applications and mobile phone services to the consumer market, professional domain and hosting services using a self-provisioning platform, advertising services, and online gaming. See the directors' report for further information.

### Going concern

The financial statements have been prepared on a going concern basis. The Group has determined that despite the difficult economic and financial context, there are no material uncertainties (per paragraph 25 of IAS 1) regarding its ability to continue as a going concern, thanks in part to its efforts to focus on the more profitable businesses and to reorganize the less profitable ones (such as advertising concessions and music) on the basis of existing business plans.

### 2. Preparation criteria

#### Compliance with IFRS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements were prepared in accordance with the historical cost convention, with the exception of financial assets held for sale and derivatives, which were measured at fair value. They are expressed in euro (€) as this is the functional currency in which most of the Group's operations are conducted.

#### Reporting formats

The consolidated financial statements are comprised of the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows, and these notes.

As required by applicable regulations, the full-year financial statements have been prepared in consolidated form and have been audited by Reconta Ernst & Young S.p.A.

The reporting formats are as follows:

In the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately, with two distinct items representing "Discontinued operations/assets held for sale" and "Liabilities relating to discontinued operations/assets held for sale";

For the income statement, the Group has opted for the dual format:

\* Income statement covering only revenue and costs, classified by type;

\* Statement of comprehensive income including gains and losses recognized directly in equity, net of the tax effects.

The statement of cash flows is prepared using the indirect method; as required by IAS 7 it presents cash flows for the year from operating activities, from investing activities and from financing activities, with a separate indication of total cash flows from discontinued operations/assets held for sale.

With reference to CONSOB Resolution 15519 of 27 July 2006 on reporting formats, special sections have been included to represent significant related party transactions, and the income statement includes separate lines to show any significant non-recurring transactions carried out during the ordinary course of business.

## Consolidation procedures

The consolidated financial statements include the financial statements of the parent, Dada S.p.A., and those of its subsidiaries, at and for the year ended 31 December 2010, as approved by each company's Board of Directors. In accordance with the accounting standards followed, a company qualifies as a subsidiary if it is controlled by Dada S.p.A., meaning that Dada S.p.A. has the power to govern its financial and operating policies so as to obtain benefits from its activities.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement as from the effective date of acquisition or until the effective date of disposal.

All significant transactions and the resulting balances between Group companies have been eliminated in the consolidation. Business combinations are recorded using the acquisition method, as detailed below.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from Group equity, and are determined based on the percentage held by non-controlling shareholders of the fair value of the assets and liabilities recognized on the date of the original combination and of changes in equity since that date. Subsequently, profit or loss is attributed to non-controlling interests according to their percent ownership, and losses are attributed to non-controlling interests even if this results in their having a deficit balance.

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

If the parent loses control of a subsidiary, it:

Derecognizes the assets (including any goodwill) and liabilities of the subsidiary

Derecognizes the carrying amount of any non-controlling interests in the former subsidiary

Derecognizes exchange gains and losses included in equity

Recognizes the fair value of the consideration received

Recognizes any investment retained in the former subsidiary

Recognizes any resulting difference as a gain or loss



Reclassifies its share of amounts previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The separate financial statements of each Group company are prepared in the currency of the primary business environment in which it operates (functional currency). For purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in euro, which is the functional currency of the Group and the presentation currency of the consolidated financial statements.

All assets and liabilities of consolidated foreign companies that use a currency other than the euro are translated at the exchange rates in force at the close of the year (current rate method). Income and costs are translated at the average exchange rate for the year. Exchange gains and losses resulting from this method are recognized in equity until the investment is sold. In the consolidated statement of cash flows, average exchange rates have been used to translate the cash flows of foreign subsidiaries.

Exchange differences between opening net equity translated at current exchange rates and historical exchange rates, as well as the difference between the net profit or loss expressed at average and current exchange rates, are allocated to "Other reserves" under equity.

When a foreign company is disposed of, the cumulative exchange differences recognized in equity that pertain to that particular company are transferred to profit or loss.

The exchange rates used to translate the financial statements of consolidated companies into euro are shown in the table below.

CURRENCY	2010	
	AVERAGE RATE	YEAR-END RATE
US dollar	1.32572	1.33620
Canadian dollar	1.36511	1.33220
Brazilian real	2.33143	2.21770
British pound	0.85784	0.86075

CURRENCY	2009	
	AVERAGE RATE	YEAR-END RATE
US dollar	1.39478	1.44060
Canadian dollar	1.58496	1.51280
Brazilian real	2.76742	2.51130
British pound	0.89094	0.88810

#### **Changes in the consolidation scope**

The scope of consolidation of the Dada Group has changed as follows:

in 2010 the income statement of Dada Ent. was consolidated on a line-by-line basis for all 12 months of the year, while for the first five months of 2009 it was valued using the equity method and its profit was recognized under "Share of profit/(loss) of associates." On 1 June 2009, due to changes in Dada Ent.'s governance (described in the directors' report to last year's consolidated financial statements), the Dada Group gained control of

the company and it has since been consolidated in full. Dada Ent. became a wholly-owned subsidiary on 1 October 2009, when the corporate transaction was completed.

The companies in the Poundhost group were consolidated on a line-by-line basis for all 12 months of 2010, while in 2009 they were outside the scope of consolidation, as they were acquired in January 2010 via the operation described in the directors' report.

E-Box S.r.l., as regards the income statement, was consolidated on a line-by-line basis for all of 2010, while in the statement of financial position its assets and liabilities were grouped under "assets and liabilities held for sale" in consideration of the sale closed in January 2011 and finalized the following February. See the directors' report for further details.

Dada.net acquired a further 15% of Giglio Group S.p.A. for €1,125,000, raising its interest to 25%; this additional stake was accounted for using the equity transaction method. Giglio Group S.p.A. has been consolidated on a line-by-line basis since 2009, in accordance with IAS 27, which states that when an entity has a currently exercisable call option on the shares of another company, the potential voting rights associated with those shares must be considered when determining whether control exists. The purchase of the additional 15% has therefore affected only the Group's share of profit for the year.

Fueps S.p.A. was acquired by the Dada Group in September 2009, and was therefore consolidated at the income statement level for only three months of the previous year and for twelve months in 2010.

**Scope of consolidation at 31 December 2010**

**Companies consolidated on a line-by-line basis**

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	HELD BY	% held	Consolidation period
Dada S.p.A.	Florence	EUR	2,755,711.73	Parent		Jan.-Dec. 2010
Agence des Medias Numerique Sas	Paris	EUR	37,000.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010
Amen Ltd.	London	GBP	2.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010
Amen Nederland B.V.	Amsterdam	EUR	18,000.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010
Amenworld Servicios internet sociedade Unipersonal LDA	Lisbon	EUR	10,000.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010
Clarence S.r.l.	Florence	EUR	21,000.00	Dada.net S.p.A.	100.00	Jan.-Dec. 2010
Dada.net S.p.A.	Florence	EUR	15,005,097.00	Dada S.p.A	87.00	Jan.-Dec. 2010
Dada Entertainment Canada Inc.	Toronto	CAD	1.00	Dada Entertainment Inc.	100.00	Jan.-Dec. 2010
Dada Brasil Serviços de Tecnologia Ltda	Sao Paulo	BRL	779,764	Dada.net S.p.A. Dada USA Inc.	98.00 2.00	Jan.-Dec. 2010 Jan.-Dec. 2010
Dada Iberia SL (formerly Register Iberia SL)	Barcelona	EUR	3,006.00	Dada.net S.p.A.	100.00	Jan.-Dec. 2010
E-Box S.r.l.	Milan	EUR	10,000.00	Dada.net S.p.A. Dada S.p.A	30.00 40.00	Jan.-Dec. 2010 Jan.-Dec. 2010
Fueps S.p.A.	Florence	EUR	1,500,000.00	Dada S.p.A	100.00	Jan.-Dec. 2010
Giglio Group S.p.A.	Rome	EUR	2,100,000.00	Dada.net S.p.A.	(1) 65.00	Jan.-Dec. 2010
Namesco Inc.	New York	USD	1,000.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Namesco Ltd.	Worcester	GBP	100.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	HELD BY	% held	Consolidation period
Namesco Ireland Ltd.	Dublin	EUR	1.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Nominalia Internet S.L.	Barcelona	EUR	3,005.00	Register.it S.p.A.	100.00	Jan.-Dec. 2010
Play Me, LLC	New York	USD	0.00	Dada Entertainment Inc.	100.00	Jan.-Dec. 2010
Poundhost Internet Ltd.	Worcester	GBP	200.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Register.it S.p.A.	Florence	EUR	8,401,460.00	Dada S.p.A	(2) 100.00	Jan.-Dec. 2010
Simply Virtual Servers Limited	Worcester	GBP	2.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Simply Virtual Servers Llc	Delaware	USD	2.00	Simply Virtual Servers Limited	100.00	Jan.-Dec. 2010
Simply Transit Limited	Worcester	GBP	2.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Simply Acquisition Limited	Worcester	GBP	200.00	Namesco Ltd.	100.00	Jan.-Dec. 2010
Server Arcade Limited	Worcester	GBP	150.00	Simply Acquisition Limited	100.00	Jan.-Dec. 2010
Dada Entertainment Inc. (3)	New York	USD	102.28	Dada.net S.p.A.	100.00	Jan.-Dec. 2010

(1) including 40% held in pledge.

(2) including 10% held through treasury shares.

(3) Dada USA Inc. and Dada Ent. LLC merged to form Upoc Inc., which changed its name to Dada Entertainment Inc.

## Translation of foreign currency items

### Transactions and balances

The consolidated financial statements are expressed in euro, which is the functional and presentation currency used by Dada S.p.A.

### Group companies

Each company defines its own functional currency, which is used to express all items in the separate financial statements. Transactions in foreign currency are initially recognized at the exchange rate in force (versus the functional currency) on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate in force at year end.

All exchange differences are recognized in profit or loss, except for those arising from foreign currency loans taken out to finance an investment in an overseas firm, which will be recognized in equity until the investment is sold and then reclassified to profit or loss. Deferred

taxes pertaining to exchange differences on these loans are also taken directly to equity. Non-monetary items valued at historical cost in foreign currency are converted at the exchange rate ruling on the transaction date. Non-monetary items recognized at fair value in foreign currency are converted at the exchange rate ruling on the fair value measurement date.

## 2.1 Summary of significant accounting policies

### Business combinations and goodwill

#### Business combinations since 1 January 2009

Business combinations are accounted for using the purchase method.

The cost of an acquisition is the acquisition-date fair value of the consideration paid, plus the amount of any non-controlling interest held. For each business combination, the Group values any non-controlling interest in proportion to its share of the net identifiable assets of the company acquired. Acquisition costs are expensed.

When the Group acquires a business, it classifies the financial assets received and the liabilities assumed in accordance with the terms of the contract and the economic and other conditions in effect on the acquisition date.

If the business combination is achieved in stages, the Group remeasures the fair value of the interest previously held and recognizes any resulting gain or loss in the income statement.

Any contingent consideration is recognized at the acquisition-date fair value. A change in the fair value of contingent consideration classified as an asset or liability is recognized in accordance with IAS 39, in the income statement or in the statement of comprehensive income. If the contingent consideration is classified as equity, it need not be remeasured until settlement of the contingency is reflected within equity.

Goodwill is initially measured at cost, i.e. the positive difference between the amount paid and the assets acquired net of liabilities assumed. If the consideration paid is less than the fair value of the net assets acquired, the difference is taken to the income statement.

After its initial recognition, goodwill is valued at cost net of accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash generating units expected to benefit from the combination, regardless of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained.

## Business combinations before 31 December 2008

Differences with respect to the policies stated above are as follows.

Business combinations that took place before 31 December 2008 were accounted for using the purchase method. Transaction costs directly attributable to the combination were treated as part of the purchase cost.

Business combinations achieved in stages were accounted for upon each separate acquisition. A new acquisition of shares had no effect on the previously recognized goodwill.

Contingent consideration was recognized if and only if the Group had a present obligation, the outlay was likely to be incurred, and the amount could be reliably estimated. Subsequent changes in the consideration affected goodwill.

## Equity investments in associates

Investments in associates are valued using the equity method. An associate is a company over which the Group has significant influence but that does not qualify as a subsidiary or a joint venture.

Under the equity method, an investment in an associate is recognized at cost plus post-acquisition changes in the Group's share of the associate's net assets. Goodwill pertaining to the associate is included in the carrying amount of the investment and is not amortized. After following the equity method, the Group determines whether it needs to recognize any additional impairment losses with reference to the Group's net investment in the associate. The income statement reflects the Group's share of the associate's profit or loss. If an associate makes adjustments in value and charges them to equity, the Group recognizes its share and represents it, if applicable, in the statement of changes in equity. Profits and losses arising from transactions between the Group and the associate are eliminated in proportion to the interest held.

The year-end date of almost all associates is the same as that of the Group; the accounting policies are also consistent with the Group's for comparable transactions and events under similar circumstances.

Should the Group lose its significant influence over the associate, it shall recognize any remaining interest at fair value. Any difference between the carrying amount of the investment on the date significant influence is lost and the fair value of the remaining investment plus the consideration received is recognized in profit or loss.

## Joint ventures

The Dada Group did not participate in joint ventures in 2010, while Dada Entertainment LLC was classified as a joint venture until 31 May 2009. The Group consolidated its joint ventures using the equity method, as required by IAS 31.38.

## Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are recognized at the lower of carrying amount and market value net of costs to sell.

Non-current assets (and disposal groups) are classified as held for sale when their carrying amount is expected to be recovered by way of sale rather than use in business operations.

This condition is only met when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current condition, and Management has committed to the sale, which should take place within 12 months of the classification as held for sale.

## Intangible assets

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations are capitalized at the acquisition-date fair value. Subsequently, intangible assets are carried at cost net of accumulated amortization and any impairment losses. Internally generated intangible assets, excluding development costs, are not capitalized and the expenditure is charged to the income statement the year it is incurred. The useful life of intangible assets is deemed to be finite.

Intangible assets with finite useful lives are amortized over their useful life and tested for impairment any time there are indications of a possible loss in value. The period and method of amortization is reviewed at the end of each year, or more frequently if necessary. Changes in the estimated useful life or the manner in which the future economic benefits associated with the asset will be achieved by the Group are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

### *Research and development costs*

Research costs are charged to profit and loss as and when incurred. Development costs relating to an individual project are capitalized only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete the asset for use or sale, how the asset will generate future economic benefits, the availability of technical, financial or other resources to complete development, and the ability to reliably measure expenditure during the development process.

During the development phase, the asset undergoes impairment testing once a year. After initial recognition, development expenditure is measured at cost less accumulated amortization and any impairment losses. The asset starts to be amortized once development is completed and the asset is available for use. It is amortized over the estimated period in which the project will generate revenue for the Group. While the asset is not yet in use, it will undergo impairment testing once a year.

### *Other intangible assets*

These are initially recognized at cost and amortized on a straight-line basis over their estimated useful life. Impairment losses may apply as a result of impairment testing (see below).

Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss at the time of the disposal.

## Property, plant and equipment

Property, plant, machinery, equipment and other tangible assets are recognized at purchase or production cost, net of accumulated depreciation and any impairment losses. Cost includes related charges and a reasonable allocation of direct and indirect expenses. Repair and maintenance costs are recognized in profit or loss when incurred.

Fixed assets are depreciated on a straight-line basis over their estimated useful life, at the following annual rates:

- Plant and EDP machines: 20%
- Furniture and fittings: 12%
- Ordinary office machines: 12%

A tangible asset is derecognized when it is sold or when no future economic benefits are expected from its use or disposal. Any losses or gains are recognized in the income statement the year the disposal takes place. Residual life, useful life and depreciation methods are reviewed each year and are revised if necessary at year-end.

## Financial charges

Financial charges directly attributable to the purchase, construction or production of an asset that takes a substantial amount of time to get ready for use must be capitalized as part of the asset's cost. All other financial charges are recognized as costs the year they are incurred. Financial charges are interest and other costs incurred by an entity in relation to loans received.

## Impairment of non-financial assets

At every reporting date, the Group reviews the carrying value of its property, plant, equipment and intangible assets to determine if there are any indications of impairment. If so, the recoverable amount of the assets is estimated to determine any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives, including goodwill and equity investments, undergo impairment testing each year and whenever there are signs of possible impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. It is calculated for each individual asset, unless that asset generates cash flows that are not broadly independent of other assets or groups of assets. If the carrying amount of an asset is greater than its recoverable amount, it has suffered impairment and an impairment loss is recognized in profit or loss. In determining value in use, the estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.



When impairment is reversed, the asset or cash-generating unit is written back to the new estimate of recoverable amount (except in the case of goodwill), which may not exceed the net carrying amount that the asset would have had if the impairment loss had not been charged. The reversal of an impairment loss is taken immediately to the income statement.

### **Goodwill**

Goodwill undergoes impairment testing once a year, or more frequently if circumstances indicate that there may have been a loss in value.

Impairment is determined by measuring the recoverable amount of the cash generating unit (or group of units) to which the goodwill pertains. If the recoverable amount of the cash generating unit is less than the goodwill's carrying amount, an impairment loss is charged. Impairment losses on goodwill cannot be reversed in subsequent years.

## **Inventories**

Inventories are comprised of contract work in progress outstanding at the close of the year. The value of contracts is measured on a percent of completion basis.

## **Financial instruments**

Financial instruments are initially measured at fair value, and are subsequently measured depending on their classification, in accordance with IAS 39.

For this purpose, financial assets are split into four categories:

- Financial assets measured at fair value through profit and loss
- Held to maturity investments
- Loans and receivables
- Available for sale financial assets

There are only two categories of financial liability:

- Financial liabilities measured at fair value through profit and loss;
- Financial liabilities measured at amortized cost.

The Group determines the classification of its financial assets and liabilities upon initial recognition.

Financial instruments are recognized and derecognized using trade date accounting.

### **Derecognition**

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

the rights to receive cash flows from the asset have expired;

the Group has transferred the right to receive cash flows from the asset or has a contractual obligation to pay them in full and without delay to a third party, and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the underlying obligation is expired, canceled or discharged.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any differences between carrying values recognized in profit or loss.

## Receivables

After initial recognition, receivables are measured at cost and are written down by way of the provision for doubtful accounts in the event of impairment.

An impairment provision is made when there is an objective indication (e.g. the likelihood of insolvency or significant financial problems for the debtor) that the company will not be able to recover all amounts due under the original terms of the invoice.

The provision for doubtful accounts reflects recovery estimates carried out for each position as well as the overall riskiness of receivables, taking account of guarantees and insurance coverage.

Current receivables are not discounted to present value because the effect is irrelevant; those with maturities of over one year that do not bear interest or bear interest at lower than market rates are discounted at market rates.

## Financial assets

Financial assets are initially valued at cost, including expenses directly related to the acquisition.

Subsequently, the financial assets that Dada S.p.A. intends and is able to hold to maturity are recognized at amortized cost using the effective interest method, net of impairment losses.

Financial assets other than those held to maturity are classified as held for trading or available for sale and are measured at each period end at fair value. If the financial assets are held for trading, gains and losses arising from changes in fair value are recognized in profit or loss for the period. For available-for-sale financial assets, gains and losses arising from changes in fair value are attributed directly to equity until the assets are disposed of or suffer impairment; at that point, all of the gains and losses previously recognized in equity are taken to profit or loss for the period.

## Cash and cash equivalents

This item comprises cash on hand, current bank accounts, deposits payable at sight, and other short-term, highly liquid investments that are readily convertible into cash and subject to an insignificant risk of changes in value.

After initial recognition, they are carried at amortized cost which corresponds to face value.

## Non-financial payables

These are stated at face value.

## Bank loans and financial payables

Interest-bearing bank loans and account overdrafts are recognized at the fair value of the amounts received, net of transaction costs, and are subsequently valued at amortized cost using the effective interest method.

Current payables are not discounted because the effect is irrelevant.

## Derivative financial instruments

Derivatives are classified as hedge derivatives if the conditions for hedge accounting are met; otherwise, even if contracted in order to manage exposure to risk, they are recognized as "Financial assets held for trading."

In keeping with IAS 39, derivative financial instruments may be accounted for using the rules of hedge accounting only if the relationship between the derivative and the item being hedged is formally documented and the hedge is highly effective.

The effectiveness of hedging transactions is documented at the inception of the transaction and periodically thereafter, and is measured by comparing the fair value changes of the hedging instrument with those of the item hedged.

When derivatives hedge the risk of fair value changes in the instrument being hedged (fair value hedge), the derivatives are recognized at fair value and gains/losses are taken to profit or loss.

When derivatives hedge the risk of cash flow changes in the instrument being hedged (cash flow hedge), changes in the fair value of the derivatives are initially recognized in equity and subsequently in profit or loss, consistently with the economic effects of the hedged transaction. The fair value change attributable to the ineffective portion is taken immediately to profit or loss for the period. If the derivative is disposed of or no longer qualifies as an effective hedge against the risk for which it was originally arranged, or if the underlying transaction is no longer highly likely to take place, the portion of the cash flow hedge reserve relating to that derivative is immediately released to profit or loss.

Fair value changes in derivatives that do not qualify as hedges are recognized in profit or loss.

Regardless of classification, all derivatives are measured at fair value, using methods based on market data.

## Equity instruments

Equity instruments issued by the Company are recognized in the amount received, net of direct issue costs.

## Provisions for liabilities and charges

Provisions are recognized when the Company has a present obligation as a result of a past event and it is likely that the expense will be incurred. They are based on management's best estimate of the cost of fulfilling the obligation as of the reporting date, and are discounted to present value when the effect is significant.

## Revenue recognition

Revenue is recognized to the extent the Group is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the fair value of the consideration received, excluding discounts, rebates and taxes. The following criteria must be satisfied before revenue is recognized in profit or loss:

### *Sale of goods*

Revenue is recognized when the company has transferred to the buyer all risks and rewards of ownership, which generally coincides with the shipping date.

### *Sale of services*

Revenue from services is recognized when the service is rendered. In the case of projects, revenue is measured according to the ratio of hours worked to total estimated hours for each contract. If the outcome of the contract cannot be reliably measured, revenue is only recognized to the extent that the costs incurred are expected to be recovered.

#### *Interest*

Interest is recognized as financial income on an accruals basis, using the effective interest method (effective interest is the rate that exactly discounts estimated future cash receipts through the expected life of the asset to its net carrying amount).

#### *Dividends*

Dividends are recognized when the shareholders are entitled to receive payment.

### **Pension funds and other post-employment benefits**

These funds and benefits are unfunded. The cost of benefits due under defined benefit plans is determined actuarially for each plan, using the projected unit credit method. Gains and losses arising from the actuarial calculation are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognized on a straight-line basis over the average vesting period. If the benefits are already vested upon the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less any past service costs not yet recognized and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

For defined contribution plans, the cost and the liability are recognized gradually as the employee renders service and the liability is presented net of payments already made to an external fund.

### **Share-based payments (stock options)**

The cost of share-based payments to employees for benefits granted after 7 November 2002 is measured at fair value as of the grant date. Fair value is determined by an external appraiser using an appropriate valuation model. See the note on stock options for further information.

The cost of share-based transactions, along with the corresponding increase in equity, is recognized over the period starting when the conditions relating to the achievement of targets and/or service performance have been satisfied and ending when the employees become fully entitled to the reward (the vesting date). The cumulative expense recognized for these transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and best available estimate of the number of awards that will ultimately vest. The cost or income recognized for the year is the change in the cumulative expense at the beginning and the end of the year.

The likely timing of the exercise of options is estimated by management, taking account of non-transferability, exercise restrictions and behavioral considerations.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon market conditions, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other conditions are met.

Where the initial conditions are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee; such an expense is measured at the date of modification.

Where an award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the new awards are treated as a modification of the original award as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share (see Note 7).

## Taxes

### *Current taxes*

Current tax liabilities for the year are measured as the amount expected to be paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date.

Current taxes relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

### *Deferred taxes*

Deferred taxes are calculated using the "liability method" on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the balance sheet.

Deferred tax liabilities are recognized on all taxable temporary differences, with the following exceptions:

- when deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and will probably not occur in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforwards can be utilized, with the following exceptions:

- the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);

- where deductible temporary differences are associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilized.

The carrying value of a deferred tax asset shall be reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow part or all of that asset to be utilized. Unrecognized deferred tax assets are also reviewed at each balance sheet date and are recognized to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes relating to transactions or events recognized outside profit or loss are also recognized outside profit or loss, and therefore in equity or in other comprehensive income consistently with element to which they refer.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax balances, when they pertain to the same tax authorities, and when the Group plans to settle its current assets and liabilities on a net basis.

## Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the parent company's shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit or loss attributable to the parent company's shareholders by the weighted average shares outstanding, factoring in possible share dilution, for example from stock option plans.

## Use of estimates

The preparation of the financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and disclosures on contingent assets and liabilities as of the reporting date. Actual results may differ. Estimates are used to value property, plant and equipment and intangible assets subjected to impairment testing and to recognize provisions for doubtful accounts, inventory obsolescence, amortization and depreciation, asset impairment, employee benefits and taxes. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss.

## Related party transactions

Transactions with related parties are discussed in Note 25.

## Seasonal trends

The Dada Group's main operations are not affected by seasonal trends that could influence results for the period.

## Changes in international accounting standards

The accounting standards are the same as those used last year, with the exception of the following new or revised IFRS and IFRIC interpretations adopted by the Group during the year:

IFRS 2 – Share-based payments: group cash-settled share-based payment transactions. Effective from 1 January 2010

IFRS 3 – Business combinations (Revised) and IAS 27 – Consolidated and separate financial statements (Amended). Effective from 1 July 2009 including consequent amendments to IFRS 2, IFRS 5, IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39

IAS 39 – Financial instruments: recognition and measurement; exposures qualifying for hedge accounting. Effective from 1 July 2009

IFRIC 17 – Distributions of non-cash assets to owners

Improvements to IFRS (May 2008)

Improvements to IFRS (April 2009).

The adoption of these standards and interpretations is discussed below.

### **IFRS 2 – Share-based payment (revised)**

The IASB has published an amendment to IFRS 2 that clarifies the scope and accounting of group cash-settled share-based payment transactions. The Group has adopted this amendment from 1 January 2010 but it has had no impact on financial position or performance.

### **Amendments to IAS 32 and IAS 1: Puttable financial instruments and obligations arising on liquidation**

On 14 February 2008, the International Accounting Standards Board (IASB) published amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation. The amendments require certain instruments issued by companies that are currently classified as liabilities, despite having characteristics similar to ordinary shares, to be classified as equity. Additional disclosures are required relating to those instruments and new rules should apply to their reclassification. The change in accounting standards has been applied prospectively and has had no material effect on earnings per share.

### **IAS 39 – Financial instruments: recognition and measurement (exposures qualifying for hedge accounting)**

The amendment clarifies that an entity may designate a portion of the fair value changes or cash flows of a financial instrument as a hedged item. It also includes the designation of inflation as a hedged risk or portion of risk under certain circumstances. The Group has determined that this amendment will have no impact on its financial position or performance because it does not use this kind of hedge.

### **IFRIC 12 – Service concession arrangements**

IFRIC 12 clarifies the application of IFRS to service concession arrangements. Specifically, it explains how to account for obligations assumed and rights received by a service concession operator, distinguishing among the intangible asset model, the financial asset model and the hybrid model depending on the degree of uncertainty faced by the operator as to the cash flows



produced by the concession and the obligations assumed regarding the infrastructure used to provide the service.

#### **IFRIC 16 - Hedges of a net investment in a foreign operation**

On 3 July 2008, the International Financial Reporting Interpretations Committee published IFRIC Interpretation 16 - Hedges of a net investment in a Foreign operation. IFRIC 16 clarifies how to apply IAS 21 and IAS 39 in cases when an entity hedges the foreign exchange risk arising from its net investments in foreign operations.

#### **IFRIC 17 - Distributions of non-cash assets to owners**

This interpretation explains the accounting treatment of agreements under which an entity distributes non-cash assets to its shareholders as a distribution of reserves or dividends. It has had no impact on the Group's financial position or performance.

#### **IFRIC 18 - Transfers of assets from customers**

IFRIC 18 provides clarification and guidance concerning the accounting treatment of property, plant, and equipment received from customers or of cash received from customers for the purchase or construction of property, plant and equipment.

#### **Improvements to IFRS**

In May 2008 and April 2009 the IASB published a series of improvements to its standards, fundamentally for the purpose of removing inconsistencies and clarifying terminology. Each standard comes with ad hoc transition rules. The adoption of the following changes has affected accounting standards but has had no impact on the Group's performance or financial position.

##### **Issued in May 2008**

IFRS 5 - Non-current assets held for sale and discontinued operations: clarifies that when a subsidiary is classified as held for sale, all of its assets and liabilities are classified as held sale, even if the seller will retain a non-controlling interest in the former subsidiary. The change has been applied prospectively and has had no impact on the Group's financial position or performance.

##### **Issued in April 2009**

IFRS 5 - Non-current assets held for sale and discontinued operations: clarifies that the mandatory disclosures regarding non-current assets and disposal groups classified as held for sale or discontinued operations are only those required by IFRS 5. The disclosures included in other IFRS apply only if expressly required for the specific type of non-current asset or discontinued operation. As a result of this amendment, the Group has modified the disclosures presented in Note 4 - Segment information.

IFRS 8 - Operating Segments clarifies that segment assets and liabilities need be reported only where such amounts are regularly provided to the chief operating decision maker. Because the Group's chief operating decision maker does review segment assets and liabilities, the Group has maintained this information in Note 4.

IAS 7 - Statement of cash flows states that only expenditures resulting in the recognition of an asset can be classified as cash flow from investing activities. This amendment will change the

presentation in the statement of cash flows of the potential consideration relating to the business combination completed in 2010 at the time of the cash settlement.

IAS 36 - Impairment of assets clarifies that the largest identifiable cash generating unit for allocation of goodwill acquired in a business combination is the operating segment as defined by IFRS 8 before the combination took place for reporting purposes. The change has had no impact on the Group because annual impairment testing was performed prior to the combination.

Other IFRS improvements concerning the following standards did not affect the Group's accounting policies, financial position or performance:

Issued in April 2009

IFRS 2 - Share-based payments

IAS 1 - Presentation of financial statements

IAS 17 - Leases

IAS 34 - Interim financial reporting

IAS 38 - Intangible assets

IAS 39 - Financial instruments: recognition and measurement

IFRIC 9 - Reassessment of embedded derivatives

#### **Standards awaiting application**

Below is a list of standards to be implemented in the near future and an estimate of their impact on subsequent financial statements:

#### **IFRIC 14 - Prepayments of a minimum funding requirement**

On 15 November 2009 the International Financial Reporting Interpretations Committee (IFRIC) published an amendment to IFRIC 14 - Prepayments of a minimum funding requirement. The amendment is aimed at correcting an unintended consequence of IFRIC 14, by which under given circumstances, an entity subject to minimum funding requirements that makes an early payment of contributions is required to recognize a cost. In cases in which a defined benefit plan is subject to minimum funding requirements, the revised version of IFRIC 14 requires that early payments be treated as assets, just like any other prepayment.

#### **IFRIC 19: Extinguishing financial liabilities with equity instruments**

On 26 November 2009 the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 19 - Extinguishing financial liabilities with equity instruments, which provides guidance as to how the debtor should account for equity instruments issued to extinguish all or part of a financial liability as a result of the renegotiation of terms. The companies will apply IFRIC 19 and the amendment to IFRS 1 from the first financial year beginning on or after 30 June 2010, with earlier application permitted.

#### **IAS 24 - Related party disclosures**

On 4 November 2009 the International Accounting Standards Board (IASB) published a revised version of IAS 24 - Related party disclosures. The new version simplifies the definition of "related party," removes some inconsistencies, and eliminates some related party disclosures for public entities. IAS 24 is applicable from the first financial year beginning on or after 31 December 2010, with earlier application permitted.

The following new standards or amendments to standards have been issued by the IASB but not yet ratified by the European Union:

IFRS 7 – Financial instruments: disclosures  
IFRS 9 – Financial instruments  
IAS 12 – Income taxes / Deferred tax: Recovery of underlying assets

## Risks

### Financial

The Dada Group's international expansion, including through the acquisition of important operating companies, has increased its financial risks. Of growing significance are exchange risk, due to the increase in foreign-currency revenue; interest rate risk, with the loans taken out to finance the acquisition of Namesco Ltd., the Amen Group, Poundhost and other companies; and liquidity risk, reflecting the potential changes in borrowing requirements.

Given its numerous acquisitions in recent years, particularly abroad, the Dada Group is intent on arranging solid reporting and monitoring procedures for exchange risk and interest rate/liquidity risk, and on reinforcing the corporate division in charge of financial risk management.

More specifically:

to hedge interest rate risk, an IRS was taken out with a major bank regarding the loan of €17,142 thousand payable at 31 December 2010 by the subsidiary Register.it. The fair value of this derivative instrument is recorded in an equity reserve in accordance with IAS 39. Two interest rate caps were also arranged with major banks: one on 1 July 2009 on a loan of €8,000 thousand (strike rate 3.5%) and one on 28 May 2010 on a loan of €7,500 thousand (strike rate 3%). The underlying loans were subsequently renegotiated and a new amortizing loan was granted with a residual principal at 31 December 2010 of €17,600 thousand, of which €6,400 thousand is covered by the first cap which has the same maturities as the renegotiated amortization schedule. In 2010 the second cap was not considered as a hedge. The fair value adjustment relative to both caps (€2,000 thousand) was posted in full to the income statement. Exchange risk has been hedged through forward contracts for the purchase or sale of U.S. dollars, the effect of which has been fully recognized in profit or loss.

### Liquidity risk

Liquidity risk is managed by the Dada Group on a centralized basis. To optimize use of the Group's liquidity, the parent company Dada S.p.A. has a cash pooling agreement with its subsidiaries Register.it S.p.A., Dada.net S.p.A. and Fueps S.p.A. Register.it S.p.A. also has a cash pooling agreement with its French subsidiary Amen SA, as Dada.net S.p.A. does with its Spanish subsidiary Dada Iberia SL.

At 31 December 2010 the Group had credit lines of €72 million (including unsecured credit), of which €58 million (including unsecured credit) still available.

### Exchange risk

Due to the Group's international expansion its financial statements are more exposed to exchange risk and changes in the EUR/USD and EUR/GBP exchange rates. The Group is also exposed to the BRL (Brazilian real).

This exposure to exchange risk is the result of sales or purchases made in currencies other than the euro, and of company assets denominated in foreign currencies. Approximately 30% of the Group's sales are denominated in a currency other than the euro, while about 24% of its costs are expressed in foreign currency (USD).

In 2010, the Group engaged in currency forwards in order to hedge its exchange rate risk.

#### Credit risk

The Group's exposure to credit risk is related to trade and financial receivables. A large share of the Dada.net Division's trade receivables, given the specific nature of its business, are limited to a small number of customers, primarily telephone companies. This type of customer normally has a high credit rating. Conversely, the Dada.pro Division assumes the market risk associated with part of its advertising business, while no risk is associated with the domain & hosting business as the fees for the service are generally paid in advance.

With regard to financial receivables, investments are only made with banks of the highest standing.

#### Price risk

The Group is not exposed to significant price volatility risk. For additional information, see the annex provided in accordance with IFRS 7.

#### Other risks

The Dada Group's market is highly competitive, due to constant innovation and technological advancements and to the entry of new competitors. Such an environment requires a non-stop commitment to offering new and improved services in order to maintain one's position in the market.

In Italy as in other countries, the industry is also strictly regulated with regard to personal privacy, consumer protection, and rules for commercial communications, value added services, and the telecommunications business in general. Such regulations are already affecting the business and their impact is likely to grow, with possible consequences for profitability throughout the market. In this respect, some Group companies are or could soon be involved in disputes regarding the provision of services.

## 4.1 BUSINESS COMBINATIONS

### *Acquisition of the Poundhost Group*

On 18 January 2010, through the UK subsidiary Namesco, the Group finalized the acquisition of the Poundhost Group, one of the U.K.'s largest providers of dedicated and virtual hosting services. The price agreed was GBP 6.5 million, plus an earn-out of up to GBP 300 thousand depending on the achievement of earnings targets for the first quarter of 2010, and was paid in full in April 2010 for a total of €7.8 million. The acquisition-date fair value of the assets acquired was determined with assistance from an independent consultant and allocated fully to goodwill.

In €/000

	Acquisition-date value	
Intangible assets	-	-
Property, plant and equipment	1,231	
Financial assets	57	
Cash and cash equivalents	64	
Trade receivables	189	
Other receivables	163	
Trade payables	-	598
Financial payables	-	246
Other payables	-	311
Taxes payable	-	89
<b>Total net assets</b>		<b>461</b>
<b>Group's share of net assets</b>		<b>461</b>
<b>Goodwill from the acquisition</b>		<b>7,381</b>
<i>Equivalent in GBP</i>		<i>6,551</i>
<b>Total cost</b>		<b>7,841</b>
Payments	-	7,840
Net cash of the subsidiary		64
<b>Net cash used</b>	-	<b>7,776</b>
<b>Balance due</b>		<b>0</b>

\* Goodwill, after adjustment to the exchange rate in force on 31 December 2010, amounted to €7,552 thousand

Dada.net's purchase of an additional 15% of Giglio S.p.A. on 10 February 2010 for €1,125,000 (raising its interest to 25%) does not constitute a business combination, as the

company was already consolidated on a line-by-line basis in the previous year's financial statements. The purchase is thus accounted for using the equity transaction method.

## 4.2 SEGMENT REPORTING PURSUANT TO IFRS 8

For operational purposes the Dada Group is organized into two business units: the Dada.net Division and the Dada.pro Division. Changes were made to the Group's organizational structure in the second quarter of the year; until 31 March 2010, there was a third, independently managed division comprised of Fueps S.p.A. (active in the casual and skill games market), which has now been fully integrated within Dada.net. The reorganization was made necessary, in part, by the Group's recognition of the growth and development problems faced by the businesses in which Fueps was involved, which raised the need to overhaul its plans.

In compliance with IFRS 8, by which segment information has to be organized according to the same criteria used for management reporting purposes, the Group has also recognized a Corporate Division.

The three segments are therefore as follows:

Dada.net: provision of services against payment of a subscription fee. Includes management of the casual and skill games market;

Dada.pro: automatically provided services such as domain registration, fee-based e-mail and hosting, as well as digital advertising via mobile and web;

Corporate: corporate services for the two business units.

Revenue is earned by charging Group companies for services such as administration, finance, taxation, planning & control, purchasing, legal & corporate, communications, human resources, facility management, general services and ICT.

In addition to Dad.net itself, the Dada.net Division includes its Italian and foreign subsidiaries (direct and indirect), i.e. Clarence S.r.l., Dada Ent. Inc., Dada Iberia SL, Dada Brasil Ltda., E-Box S.r.l., Giglio Group S.p.A., Play.me Inc., Dada Canada Inc., and Fueps S.p.A.

The Dada.pro Division is headed by Register.it S.p.A., which owns Nominalia SL, Namesco Ltd., Namesco Ireland Ltd., Namesco Inc., and the companies in the Amen and Poundhost groups.

For the Dada.net Division, the scope of consolidation changed during the year due to the inclusion of Ebox among assets/liabilities held for sale (see above regarding the scope of consolidation of the Dada Group).

The Dada.pro Division changed with the consolidation of the Poundhost Group.

The following income statements by division present costs and revenue specific to each area. Financial activities and income taxes are not included in the divisional results.

Costs and revenue are considered before interdivisional transactions, which are eliminated in the consolidation process (see the "adjustments" column).

Management separately monitors the operating results of its business units in order to decide how to allocate resources and measure performance. A segment's performance is evaluated on the basis of business volumes and operating margin. Net financial income/charges and taxes are addressed at Group level and are not allocated to each division.

Comparative figures for the previous year have been restated to reflect this new structure.

See the directors' report for comments on the main items in the tables below.

## Income statement by business segment for the year ended 31 December 2010

2010 (12 months)					
Segment reporting	Dada.net	Dada.pro	Corporate	Adjustmer	Consolidated
Revenue - Italy	22.237	40.235	0	0	62.473
Revenue - abroad	53.988	35.025	0	0	89.012
Revenue - Interdivisional	1.668	21.200	8.906	-31.775	0
<b>Net revenue</b>	<b>77.893</b>	<b>96.460</b>	<b>8.906</b>	<b>-31.775</b>	<b>151.485</b>
Increase in own work capitalized	1.510	3.967	0	0	5.477
Cost of services	-60.854	-74.866	-7.459	30.257	-112.922
Payroll costs	-10.263	-15.724	-3.406	0	-29.394
<b>Segment EBITDA</b>	<b>8.286</b>	<b>9.836</b>	<b>-1.959</b>	<b>-1.518</b>	<b>14.646</b>
Depreciation and amortization	-11.402	-7.117	-4.744	1.518	-21.745
Impairment, provisions and non-recurring charges	-1.943	-2.255	-597	0	-4.794
<b>EBIT</b>	<b>-5.058</b>	<b>464</b>	<b>-7.299</b>	<b>0</b>	<b>-11.893</b>
					Net financial charges
					-2.516
					<b>Profit (loss) before taxes</b>
					<b>-14.409</b>
					Income taxes
					-3.986
					<b>Net profit/(loss)</b>
					<b>-18.395</b>
					Non-controlling interests
					895
					<b>Group net profit/(loss)</b>
					<b>-17.500</b>

## Income statement by business segment for the year ended 31 December 2009

2009						
Segment information	Dada.net	Dada pro	Fueps	Corp.	Adjustments	Consolidated
Revenues - Italy	30,168	33,760	143	57		64,128
Revenues - Overseas	53,119	37,853				90,972
Revenues - inter-sector	1,820	10,968	35	11,066	-23,889	0
<b>Net revenues</b>	<b>85,107</b>	<b>82,581</b>	<b>178</b>	<b>11,123</b>	<b>-23,889</b>	<b>155,100</b>
Increases in internal work	1,808	3,421				5,229
Service costs	-59,542	-61,014	-2,347	-9,484	22,111	110,276
Personnel costs	-10,691	-14,990	-157	-3,741		-29,579
<b>Segment Ebitda</b>	<b>16,682</b>	<b>9,998</b>	<b>-2,326</b>	<b>-2,102</b>	<b>-1,778</b>	<b>20,474</b>
Amortisation & Depreciation	-4,906	-5,687	-93	-2,454	1,778	-11,362
Write-downs and provisions	-2,647	-1,395	-189	-292		-4,523
<b>EBIT</b>	<b>9,129</b>	<b>2,917</b>	<b>-2,609</b>	<b>-4,847</b>	<b>0</b>	<b>4,589</b>
<i>Segment Ebit / Sales</i>						
						Financial activities 3,973
						<b>Profit before taxes 8,562</b>
						Income taxes -1,205
						<b>Group and minority Interest result 7,357</b>
						Minority interest share -399
						<b>Group net profit 6,958</b>



## Income statement by business segment for the fourth quarter of 2010

4th quarter 2010					
Segment reporting	Dada.net	Dada.pro	Corporate	Adjustment	Consolidated
Revenue - Italy	4.610	12.168	0	0	16.777
Revenue - abroad	12.636	8.178	0	0	20.814
Revenue - Interdivisional	514	4.678	1.909	-7.102	0
<b>Net revenue</b>	<b>17.760</b>	<b>25.023</b>	<b>1.909</b>	<b>-7.102</b>	<b>37.591</b>
Increase in own work capitalized	389	532	0	0	921
Cost of services	-13.721	-19.130	-1.566	6.700	-27.717
Payroll costs	-2.182	-3.949	-810	0	-6.941
<b>Segment EBITDA</b>	<b>2.246</b>	<b>2.476</b>	<b>-467</b>	<b>-402</b>	<b>3.853</b>
Depreciation and amortization	-6.027	-1.873	-3.086	402	-10.584
Impairment, provisions and non-recurring charges	-1.477	-1.609	-193	0	-3.279
<b>EBIT</b>	<b>-5.258</b>	<b>-1.006</b>	<b>-3.746</b>	<b>0</b>	<b>-10.010</b>
					Net financial charges
					-942
					<b>Profit (loss) before taxes</b>
					<b>-10.952</b>
					Income taxes
					-3.685
					<b>Net profit/(loss)</b>
					<b>-14.637</b>
					Non-controlling interests
					607
					<b>Group net profit/(loss)</b>
					<b>-14.030</b>

## Income statement by business segment for the fourth quarter of 2009

Q 4 2009						
Segment information	Dada.Net	Dada Pro	Fueps	Corp.	Adj.	Consolid
Revenues - Italy	7,289	8,945	143	19	o	16,396
Revenues - Overseas	16,558	7,170	o	o	o	23,728
Revenues - inter-sector	597	4,431	35	3,123	-8,186	o
<b>Net revenues</b>	<b>24,445</b>	<b>20,546</b>	<b>178</b>	<b>3,142</b>	<b>-8,186</b>	<b>40,125</b>
Increases in internal work	236	1,124	o	o	o	1,360
Service costs	-16,589	-15,879	-2,347	-2,966	7,741	-30,040
Personnel costs	-2,397	-3,977	-157	-952	o	-7,483
<b>Segment Ebitda</b>	<b>5,696</b>	<b>1,813</b>	<b>-2,326</b>	<b>-776</b>	<b>-445</b>	<b>3,962</b>
Amortisation & Depreciation	-1,340	-1,475	-93	-608	445	-3,071
Write down and provisions	-1,407	-616	-189	-120	o	-2,332
<b>EBIT</b>	<b>2,948</b>	<b>-277</b>	<b>-2,609</b>	<b>-1,504</b>	<b>o</b>	<b>-1,441</b>
<i>Segment Ebit / Sales</i>						
						Financial activities 5,999
						<b>Profit before taxes 4,558</b>
						Income taxes 299
						<b>Group and minority interest result 4,857</b>
						Minority interest share 764
						<b>Group net profit 5,621</b>

## Dada Group revenue by geographical segment

	2010 (12 months)		2009 (12 months)	
	Amount	% of total	Amount	% of total
Revenue Italy	62.473	41%	64.128	41%
Revenue abroad	89.012	59%	90.972	59%
<b>Consolidated revenue</b>	<b>151.485</b>		<b>155.100</b>	
	4th quarter 2010		4th quarter 2009	
	Amount	% of total	Amount	% of total
Revenue Italy	16.777	45%	16.396	41%
Revenue abroad	20.814	55%	23.728	59%
<b>Consolidated revenue</b>	<b>37.591</b>		<b>40.125</b>	

## Assets and liabilities by business segment at 31 December 2010

31/12/2010				
Segment reporting	Dada.net	Dada.pro	Corporate	TOTAL
Segment assets	61.033	99.897	13.967	174.896
Equity investments in associates	0	0	0	0
Unallocated assets				8.966
<b>TOTAL ASSETS</b>	<b>61.033</b>	<b>99.897</b>	<b>13.967</b>	<b>183.862</b>
Segment liabilities	31.451	66.191	15.227	112.869
Unallocated liabilities				14.283
<b>TOTAL LIABILITIES</b>	<b>31.451</b>	<b>66.191</b>	<b>15.227</b>	<b>127.152</b>
<b>Other information</b>				
Provisions for risks and charges	1.682	2.095	174	3.951
Provision for employee termination indemnities	391	459	184	1.034
Amortization	2.482	3.858	1.889	8.229
Depreciation	1.611	3.108	376	5.095
Impairment of fixed assets	5.792	150	2480	8.422
Investments in property, plant and equipment				0
Investments in intangible assets	1.511	3.967		5.478

## Assets and liabilities by business segment at 31 December 2009

31/12/2009				
Segment reporting	Dada.net	Dada.pro	Corporate	TOTAL
Segment assets	74.382	89.176	25.380	188.938
Equity investments in associates	0	0	0	0
Unallocated assets				5.356
<b>TOTAL ASSETS</b>	<b>73.242</b>	<b>89.176</b>	<b>25.380</b>	<b>194.294</b>
Segment liabilities	37.569	64.507	13.598	115.674
Unallocated liabilities				5.777
<b>TOTAL LIABILITIES</b>	<b>35.943</b>	<b>64.507</b>	<b>13.598</b>	<b>121.451</b>
<b>Other information</b>				
Provisions for risks and charges	620	515	228	1.363
Provision for employee termination indemnities	316	698	157	1.171
Amortization	1.670	3.402	2.107	7.179
Depreciation	1.550	2.284	346	4.180
Impairment of fixed assets	0	0	0	0
Investments in property, plant and equipment	-592	1.809	225	2.626
Investments in intangible assets				0

## Assets and liabilities by geographical segment at 31 December 2010

31/12/2010			
Geographical segment reporting	Italy	Abroad	TOTAL
Segment assets	127.847	47.049	174.896
Equity investments in associates	0	0	0
Unallocated assets			9.283
<b>TOTAL ASSETS</b>	<b>127.847</b>	<b>47.049</b>	<b>184.179</b>
Segment liabilities	45.108	67.761	112.869
Unallocated liabilities			14.153
<b>TOTAL LIABILITIES</b>	<b>45.108</b>	<b>67.761</b>	<b>127.022</b>

## Assets and liabilities by geographical segment at 31 December 2009

31/12/09			
Geographical segment reporting	Italy	Abroad	TOTAL
Segment assets	143,923	47,626	191,549
Equity investments in associates	0	0	0
Unallocated assets			2,745
<b>TOTAL ASSETS</b>	<b>143,923</b>	<b>47,626</b>	<b>194,294</b>
Segment liabilities	76,547	39,127	115,674
Unallocated liabilities			5,777
<b>TOTAL LIABILITIES</b>	<b>76,547</b>	<b>39,127</b>	<b>121,451</b>

## 5. Other income and costs

### 5.1 Revenue

For a breakdown of revenue, see Section 4 (segment reporting) and the detailed information in the directors' report.

In 2010 there was a slight decrease in revenue, due especially to various services offered by the Dada.net Division. See the directors' report for further information. The change in the scope of consolidation also played a role in this trend.

### 5.2 Payroll costs

The following table breaks down payroll costs in 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Wages and salaries	22.513	22.561	-48	0%
Social security charges	5.838	5.854	-16	0%
Employee severance	1.035	1.163	-128	-11%
Other				
<b>Total</b>	<b>29.386</b>	<b>29.578</b>	<b>-192</b>	<b>-11%</b>

Employees in Italy are hired under the national employment contract for the commercial sector.

The provision for termination indemnities is calculated using the projected unit credit method. See Note 14 for further information. The change in the scope of consolidation, described above, led to an increase in costs of €0.9 million for the year. The value of stock options, calculated as required by IFRS 2, had no impact on payroll costs because the plans currently in force involve a non-market vesting condition tied to company performance that is not expected to be met.

The table below compares the number of employees at the end of 2010 and 2009:

	31/12/10	31/12/09	Change	% change
Employees	569	593	-27	-4%
<b>Total</b>	<b>569</b>	<b>593</b>	<b>-27</b>	<b>-4%</b>

A difference of 18 units was caused by the change in the scope of consolidation.

## 5.3 Other operating expenses

The following table breaks down other operating expenses in 2010 and 2009:

	2010	2009	Change	% change
Deductible taxes	-53	-73	20	-28%
Non-deductible taxes	-554	-904	350	-39%
Other non-deductible costs	-357	-123	-234	190%
Other	49	-288	337	-117%
Restructuring costs	-675	-3,158	2,483	-79%
<b>Total</b>	<b>-1,590</b>	<b>-4,546</b>	<b>2,956</b>	<b>-65%</b>

Non-deductible taxes, amounting to €0.5 million, refer mainly to withholding tax incurred on payments received by the subsidiary Dada Brasile. This account is strictly related to the business operations of Dada Brasile and its transactions with other Group companies, particularly Dada.net and Dada Iberia. The expense stems from the fact that Brazilian tax law allows only a limited deduction of taxes withheld at source. Other non-deductible costs were in line with the previous year.

Restructuring costs of €0.7 million include non-recurring charges, most notably redundancy costs and the expense of settling contractual disputes arising from operational activities, which were prevalent during the year. For further information, see Section 5.8 on non-recurring income and charges.

## 5.4 Provisions and impairment losses

The table below presents provisions and impairment losses in 2010 and the previous year:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Provisions for doubtful accounts	-800	-380	-95	25%
Provisions for risks and charges	-3,317	-983	367	-37%
<b>Total</b>	<b>-4,117</b>	<b>-1,363</b>	<b>272</b>	<b>-20%</b>

Impairment losses on receivables are discussed in Note 16, while further information on the provision for liabilities and charges is given in Note 21 and in Section 5.8 on non-recurring charges.



## 5.5 Amortization, depreciation and impairment losses on fixed assets

A comparison between 2010 and the previous year is shown below:

	2010	2009	Change	% change
Depreciation	5,095	4,181	914	22%
Amortization of prod/serv development costs	5,177	4,324	853	20%
Amortization of patents and brands	716	719	-3	0%
Amortization of other intangible assets	2,336	2,138	198	9%
<b>Total depreciation and amortization</b>	<b>13,324</b>	<b>11,362</b>	<b>1,962</b>	<b>17%</b>
Impairment losses - goodwill	7,849	0	7,849	
Impairment losses - prod/serv development costs	392	0	392	
Impairment losses - other intangible assets	181	0	181	
<b>Total impairment losses on fixed assets</b>	<b>8,422</b>	<b>0</b>	<b>8,422</b>	
<b>Total</b>	<b>21,746</b>	<b>11,362</b>	<b>10,384</b>	<b>91%</b>

The increase in amortization and depreciation reflects the higher investment in fixed assets during the year. The change in the scope of consolidation had no significant impact on this item. For further details, see Note 11.

Impairment losses on goodwill are discussed extensively in Note 11; see Note 9 for information on other impairment losses on fixed assets.

## 5.6 Financial income and charges

The table below breaks down financial income in 2010 and 2009:

	2010	2009	Change	% change
Interest on bank and postal accounts	4	66	-62	-93,94%
Other interest and gains	6	38	-32	-84,21%
Exchange gains	1.919	1.991	-72	-3,62%
<b>Subtotal</b>	<b>1.929</b>	<b>2.095</b>	<b>-166</b>	<b>-7,92%</b>
Gain from goodwill impairment reversal	0	6.654	-6.654	-100,00%
<b>Subtotal</b>	<b>0</b>	<b>6.654</b>	<b>-6.654</b>	<b>-100,00%</b>
<b>Total</b>	<b>1.929</b>	<b>8.749</b>	<b>-6.820</b>	<b>-77,95%</b>

Financial income is comprised of bank account interest and gains on derivatives. In 2009, the revaluation gain of €6.7 million arose from the early adoption of IFRS 3 Revised and IAS 27 Revised, which required the revaluation of shares acquired prior to gaining control of a company at the latest purchase values. In the case at hand, a 50% interest in Dada Entertainment (owned since 2007) was revalued at the amounts determined in the appraisal commissioned for the purpose of transferring the remaining 50% held by Sony, which took place in September 2009.

Exchange gains refer primarily to the translation of some trade receivables and payables expressed in foreign currency, and to transactions taking place during the year. In particular, they relate to the appreciation of the US dollar and Brazilian real during the course of 2010.

Financial charges in 2010 and the previous year are shown in the table below:

	2010	2009	Change	% change
Interest on account overdrafts	-195	-154	-41	27%
Interest on loans	-1.563	-1.173	-390	33%
Other interest expense	-7	-3	-4	133%
Bank fees and charges	-1.174	-966	-208	22%
Exchange losses	-1.504	-1.945	441	-23%
Other charges				
<b>Total</b>	<b>-4.443</b>	<b>-4.241</b>	<b>-202</b>	<b>4,76%</b>

Financial charges consist mainly of interest on bank account overdrafts and long-term loans, as well as credit card fees and other charges imposed by banks. The rise in interest expense on loans relates chiefly to loans taken out for acquisitions carried out during the year, and the higher spreads on Euribor-linked rates on existing loans in accordance with contracts. Specifically, in 2010 an additional loan was taken out for the acquisition of the Poundhost Group.

Exchange losses arose from the consolidation of foreign operations, with particular reference to the change in the EUR/USD exchange rate.

Overall, there were net exchange gains of €0.4 million for the year, while in 2009 net exchange gains and losses were neutral.

## 5.7 Share of profit (loss) of associates

The following table reports the Group's share of the profit (loss) of associates in 2010 and the previous year:

Associate	2010	2009	Change	% change
Dada Entertainment LLC	0	-535	-535	-100%
<b>Total</b>	<b>0</b>	<b>-535</b>	<b>-535</b>	<b>-100%</b>

Dada Entertainment LLC was a joint venture until 31 May 2009. Since 1 June it has been consolidated on a line-by-line basis as described in the scope of consolidation section. In the first five months of 2009, it was therefore measured using the equity method, producing a loss of €0.5 million.

## 5.8 Non-recurring income and charges

Non-recurring charges in 2010, recognized in various items of profit and loss, totaled €4 million (€3.2 million the previous year).

They include penalties for contract settlements and redundancy costs due to the restructuring of some areas of business. Specifically, redundancy costs included under other operating expenses amounted to €3.4 million (€1.5 million in 2009). Reorganization costs, relating mostly to personnel, were higher than in 2009 and concern some strategic decisions contained in the three-year plan approved in December 2010, including the closure of some businesses no longer deemed profitable or conducive to the Group's development. They refer in particular to the reorganization of the advertising concession business of the Dada.pro Division (starting in 2011) and the music business of the Dada.net Division (from 2012).

Dispute settlement costs, including those relating to non-recurring transactions, amounted to €0.6 million (€1.1 million in 2009).

In 2010 there was no non-recurring income, while in 2009 there was non-recurring income of €6.7 million due to the early adoption of IFRS 3 Revised and IAS 27 Revised, which require the revaluation of shares acquired prior to gaining control of a company.

The following table breaks down non-recurring income and charges in 2010 and 2009:

	31/12/2010	31/12/2009	Change	% change
Gain from equity investment impairment reversal	0	6.654	-6654	-100%
Other operating costs	-3.991	-3.159	-832	26%
Provisions and impairment losses	-800	-559	-241	43%
<b>Total</b>	<b>-4.791</b>	<b>2.936</b>	<b>-7.727</b>	<b>-263%</b>

Pursuant to CONSOB Resolution 15519 of 27 July 2006, the impact of non-recurring transactions on income, equity and financial position is detailed below:

EUR/million	Pre-tax profit (loss) from continuing operations		Shareholders' equity		Net debt	
	Amount	%	Amount	%	Amount	%
Amount reported	-18.394	-22%	56.709	2%	-50.645	-4%
Effect of non-recurring charges recognized in the financial statements	3.991	100%	1.055	100%	2.200	100%
Total effect of non-recurring events and transactions	<b>3.991</b>	<b>100%</b>	<b>1.055</b>	<b>100%</b>	<b>2.200</b>	<b>100%</b>
Figurative amount before non-recurring transactions	-14.403	-28%	57.764	2%	-48.445	-5%

## 5.9 Financial risks

See page 99 for details.

## 6. Taxes

The table below shows taxes in 2010 and the previous year:

	2010	2009	Change	% change
IRAP	-553	-787	234	-30%
IRES	-992	-1.973	981	-50%
Prior-year current taxes	449		449	
Other tax costs	-15		-15	
Deferred tax assets	-2.875	1.555	-4430	-285%
Deferred tax liabilities	0	0	0	
<b>Total</b>	<b>-3.986</b>	<b>-1.205</b>	<b>-2.781</b>	<b>231%</b>

Movements during the year in deferred tax assets and liabilities were as follows:

	Balance at 31/12/09	Increase for the year	Utilizations for the year	Other decreases	Exchange differences	Other movements	Balance at 31/12/10
Deferred tax assets	10.581	4.740	- 1.763	- 5.852	136	- 1.288	6.555
Deferred tax liabilities	-1.197	0	0		-91	1.288	0
<b>Total</b>	<b>9.384</b>	<b>4.740</b>	<b>-1.763</b>	<b>-5.852</b>	<b>45</b>	<b>0</b>	<b>6.555</b>

IRAP, IRES, and taxes for certain foreign subsidiaries decreased significantly (-€1.2 million or 44%) due to a decline in earnings with respect to 2009, while prior-year taxes include the (positive) corrections between the tax liability estimated at the time the financial statements were prepared and the actual charge from the Group's tax returns.

Deferred tax assets were recognized in the amount of €6.5 million, compared with €10.6 million the previous year, and originate from temporary differences and tax losses expected to be recovered in the short to medium term.

The substantial reduction in this item, shown under "other decreases" in the table above, refers to the impairment losses charged for the sake of prudence on some of the deferred tax assets recognized in previous years due to the decreased likelihood of their being fully recovered within the time horizon considered.

The deferred tax assets recognized are justified by the future deductibility of provisions for doubtful accounts and other risks and charges, and by all of the other adjustments for tax purposes that will be recovered in subsequent years, including temporary differences from the adjustment of subsidiaries' financial statements to Group accounting policies. Deferred tax assets have also been recognized on the estimated recovery of fiscal losses reported by certain Group companies. To calculate the recoverability of tax losses, the Group used a time horizon allowing it to estimate taxable income based in particular on the forecasts for 2011-2013 approved by Dada S.p.A.'s Board of Directors on 2 December 2010 and by the boards of its subsidiaries, and on the extrapolation of economic and financial projections for 2014 and 2015, whose assumptions were shared by the directors.

The tax losses on which deferred tax assets were calculated amount to €12.6 million in total.

For the sake of prudence, deferred tax assets have been recognized in proportion to the income the company is likely to earn.

In this regard, tax losses that can be carried forward to subsequent years amount to €52 million, of which €35 million can be carried forward indefinitely. Utilizations of deferred tax assets in 2010 relate to the IRES charge for the year, which was offset through the use of prior-year tax losses.

"Other movements" include deferred tax assets offset by deferred tax liabilities due to the merger in March 2010 of the US companies Dada Ent. LLC and Dada USA Inc. into Upoc Inc. (later renamed Dada Ent. Inc.), which involved offsetting the underlying elements that had generated deferred tax liabilities in previous years.

Exchange differences were caused by the translation into euro of the deferred tax assets and liabilities of the US companies, which were recognized in dollars in their separate financial statements.

The following table reconciles the actual and theoretical tax charge:

(in €/000)

	2010	2009
Pre-tax profit	-14,408	8,562
Theoretical tax charge	-3,962	2,355
Permanent differences	9,777	2,346
Temporary differences	5,674	916
Taxable income	1,043	11,824
Adjustment/reinstatement of tax losses	2,564	-4651
<b>IRES and income taxes of foreign companies</b>	<b>992</b>	<b>1,973</b>
Prior-year taxes	-449	0
Other tax costs	15	0
<b>IRAP</b>	<b>553</b>	<b>787</b>
<b>Current taxes</b>	<b>1,111</b>	<b>2,760</b>

In calculating the theoretical tax charge, unlike the tax charge recognized in the financial statements, no account is taken of IRAP; because it is charged on an earnings figure different from pre-tax profit, it would distort the comparison between one year and the next. Theoretical taxes are therefore determined by applying the corporate income tax rate in force in Italy (IRES, 27.5%) to the pre-tax profit.

Deferred tax assets and deferred tax liabilities are detailed below.

	IRES			IRES		
	Esercizio 2010			Esercizio 2009		
	Ammontare delle differenze temporanee	aliquota	Effetto fiscale	Ammontare delle differenze temporanee	aliquota	Effetto fiscale
Imposte anticipate:						
<i>Spese di rappresentanza</i>	16	27,50%	4	46	27,50%	13
<i>Fondo svalutazione crediti tassato</i>	2.394	27,50%	658	1.945	27,50%	535
<i>Fondo svalutazione crediti tassato</i>	49	41,00%	20		41,00%	-
<i>Altre differenze temporanee</i>	128	27,50%	35	796	27,50%	219
<i>Altre differenze temporanee</i>	994	30,00%	298	363	30,00%	109
<i>Altre differenze temporanee</i>	1.183	41,00%	485	119	34,00%	40
<i>Fondi per rischi e oneri</i>	1.430	27,50%	393	949	27,50%	261
<i>Fondi per rischi e oneri</i>	449	41,00%	184	616	34,00%	209
<i>Immobilizzazioni</i>	803	27,50%	221	610	27,50%	168
<i>Avviamenti</i>	1.435	27,50%	395	845	27,50%	231
<i>Imposte anticipate su riserva cash flow Hedge</i>	648	27,50%	178	1.020	27,50%	280
<b>Totale</b>	<b>9.529</b>		<b>2.872</b>	<b>7.309</b>		<b>2.065</b>
Imposte anticipate attinenti a perdite fiscali dell'esercizio precedente	10.183	27,50%	2.800	25.057	27,50%	6.891
Imposte anticipate attinenti a perdite fiscali dell'esercizio precedente	1.902	41,00%	780	4.479	34,00%	1.523
	<b>12.085</b>		<b>3.580</b>	<b>29.536</b>		<b>8.414</b>
<b>Effetto a bilancio</b>	<b>21.614</b>		<b>6.452</b>	<b>36.845</b>		<b>10.478</b>

	IRAP			IRAP		
	Esercizio 2010			Esercizio 2009		
	Ammontare delle differenze temporanee	aliquota	Effetto fiscale	Ammontare delle differenze temporanee	aliquota	Effetto fiscale
Imposte anticipate:						
<i>Fondi per rischi e oneri</i>	1.430	3,90%	56	949	3,90%	37
<i>Immobilizzazioni</i>	1.214	3,90%	47	1.455	3,90%	57
<i>Altre differenze temporanee</i>				242	3,90%	9
<b>Effetto a bilancio</b>	<b>2.644</b>		<b>103</b>	<b>2.646</b>		<b>103</b>
<b>Totale Imposte anticipate (IRAP+IRES)</b>	<b>24.258</b>		<b>6.555</b>	<b>39.491</b>		<b>10.581</b>

The Dada Group participates in the Italian tax consolidation scheme, which in addition to the parent and consolidating company Dada S.p.A. includes the subsidiaries Dada.net S.p.A., Clarence S.r.l., Register.it S.p.A., and Fueps S.p.A. The US companies Dada Ent. Inc. and Play.me Inc. take part in local tax consolidation schemes.

## 7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners of the parent company by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated by dividing the net profit attributable to owners of the parent company by the weighted average number of shares outstanding during the year plus those potentially originating from the exercise of all options outstanding.

Details of profit and number of shares used to calculate basic and diluted earnings per share are provided below:

In €/ooo	PROFIT	2010	2009
Profit for the calculation of earnings per share		-17,499	6,958
<b>TOTAL</b>		<b>-17,499</b>	<b>6,958</b>

	NUMBER OF SHARES	2010	2009
Number of shares for the calculation of earnings per share		16,210,069	16,210,069
Dilutive effect (options on shares)		o	o
<b>TOTAL</b>		<b>16,210,069</b>	<b>16,210,069</b>

There were no other transactions on ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were prepared. The Company did not approve or distribute dividends in 2010.



## 8. Impairment test for intangible assets and goodwill

Movements in goodwill are presented below:

	31/12/09	Increases	Other Decreases	Write- downs	Operations held for sale	Exchange diff.	Other movements	31/12/10
Register.it S.p.A	7,119							7,119
DadaNet S.p.A.	1,265			(1,265)				0
Clarence S.r.l.	430			(430)				0
Dada Entertainment*	4,908			(4,939)		2,391	21,275	23,635
Nominalia SL	8,550							8,550
Dada Brasil Serviços de Tecnologia Ltda	14							14
Dada Iberia SL	10							10
Namesco Ltd	30,183					898		31,080
Merger deficit	1,689				(852)	62		899
Amen Group	22,284					55		22,339
E-Box S.r.l.	2,262				(2,262)			0
Giglio Group S.p.A.	753							753
Dada Entertainment LLC	21,275						(21,275)	0
Poundhost		7,552				0	58	7,611
Fueps	2,075		(860)	(1,215)		0		0
<b>Total</b>	<b>102,817</b>	<b>7,552</b>	<b>(860)</b>	<b>(7,849)</b>	<b>(3,114)</b>	<b>3,406</b>	<b>58</b>	<b>102,011</b>

\*formerly Upoc Inc.

### **Increases**

Acquisitions in the year were as follows:

**Poundhost Group:** On 18 January 2010, through the UK subsidiary Namesco, the Group finalized the acquisition of the Poundhost Group, one of the U.K.'s largest providers of dedicated and virtual hosting services. The price agreed was GBP 6.5 million (€7.2 million), plus an earn-out of up to GBP 300 thousand (€0.3 million) depending on the achievement of earnings targets for the first quarter of 2010, and was paid in full in April 2010.

The companies in the Poundhost Group were therefore consolidated on a line-by-line basis for all 12 months of 2010.

Dada.net's purchase of an additional 15% of Giglio S.p.A. on 10 February 2010 for €1,125,000 (raising its interest to 25%) does not constitute a business combination, as the company was already consolidated on a line-by-line basis in the previous year's financial statements. The purchase is thus accounted for using the equity transaction method.

### **Decreases**

On 16 February 2011, together with its non-controlling shareholders, Dada S.p.A. finalized the sale of Blogo owner E-Box S.r.l. to Populis Ltd. The sale cost €6.0 million, of which €4.2 million was received by the Dada Group for its 70% interest in E-Box. Of the €4.2 million, €0.7 is in escrow until 12 months have elapsed from the closing.

As a result of this operation, all assets (including goodwill of €2.3 million) and liabilities have been classified together in the balance sheet. This decrease also include the former Tivic assets, included under the heading "merger deficit" in the table above (with a decrease of 0.9 million).

### **Exchange differences**

Goodwill in foreign currency is translated at the year-end exchange rates reported on page 89. The GBP/EUR translation of goodwill on Namesco Ltd and Amen UK caused an increase in goodwill of €1 million, while the USD/EUR translation of goodwill on Dada Ent. Inc. raised the amount by €2.4 million. The increase is recorded in the translation reserve under consolidated equity.

### **Impairment testing**

As required by IAS 36, impairment testing is carried out at least once a year upon preparation of the year-end financial statements. The recoverable amount of the cash generating units to which goodwill has been allocated is verified by calculating value in use.

Specifically, for all Group operations, the recoverability of investments was verified by preparing financial and cash flow forecasts based on the projections for 2011-2013 approved by Dada S.p.A.'s Board of Directors on 2 December 2010 and on the extrapolation of economic and financial projections for 2014 and 2015, whose assumptions were shared by the directors.

These annual assessments are then reviewed at the close of interim reporting periods, through an analysis designed to verify the absence of external and internal impairment indicators.

Identification of cash generating units (CGUs): a CGU is the smallest identifiable group of assets that generates an independent cash flow, either incoming or outgoing. The Dada Group has defined its CGUs mainly as individual companies or groups of companies, which are smaller entities than those used for segment reporting, i.e. the Dada.pro and the Dada.net divisions.

In particular, impairment testing was conducted on the following CGUs:

Register.it S.p.A.:

Namesco/Poundhost Group: formed by consolidating the separate financial statements of Namesco Ltd, Namesco Ireland and the companies in the Poundhost Group;

Amen/Nominalia SA Group: formed by consolidating the separate financial statements of the Amen Group companies and Nominalia SA;

Scalable: in the context of determining forecasts and in consideration of the maturity attained by this business in 2010, Management decided to treat these operations as autonomous and independent, and therefore as a specific CGU despite there being no goodwill ascribed.

US operations: formed by consolidating the separate financial statements of Dada Ent Inc., Play.me Inc., and Dada Canada Inc.;

Other Net: comprised of the separate financial statements of the legal entities pertaining to Dada.net's area of business, excluding the US companies forming their own CGU due to the particularities of the local market, and including the operations of Fueps.

The first four CGUs refer to the Dada.pro Division, and the other two to Dada.net.

With respect to the previous year, the following changes have been made:

- Poundhost has been included in the Namesco CGU, due to the acquisition in January 2010 of this group, whose business covers the same market both geographically and in terms of products;

- The "Other Net" CGU has been added to monitor residual goodwill in the .net business;

- The "US operations" CGU is comprised of Dada Ent. Inc., which results from the merger of the wholly-owned subsidiaries Upoc Inc. and Dada USA Inc. during the course of 2010, and Dada Canada Inc. has been added as well;

- the CGU "CRC operations," which was formed from the separate financial statements of E-Box S.r.l. including the assets contributed by the former Tipic Inc., has been eliminated for the reasons presented above under "Decreases";

- "Scalable" CGU: In the context of determining the forecasts for 2011-2013 approved by Dada's Board of Directors on 2 December 2010 and in consideration of the maturity attained by the business in 2010, as well as the specific objectives assigned to it, Management has decided to treat these operations as autonomous and independent and therefore as a separate CGU.

The "Other Net" CGU includes the operations of Fueps, which constituted its own CGU in 2009 and also in the half-year financial statements. Indeed, in the financial statements at 30 June 2010 the development plans for this business were already substantially revised in consideration of the growth problems that had come to light. As a result, the value of the CGU itself within the Dada Group has also been revised, leading to the complete write-off of goodwill due to impairment. Since the measurement produced a negative value and there were no different indications of growth in the second half of the year, the intangible assets pertaining to Fueps were also fully written off in the year-end financial statements.

The following table presents the main assumptions used to calculate discounted cash flow for the individual CGUs:

Basic assumptions:	US Operations	Other Net	Nominalia/ Amen	Scalable	Register.it	Namesco
Horizon	5 years	5 years	5 years	5 years	5 years	5 years
Growth rate:						
Revenue	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD.
Basic assumptions:	US Operations	Other Net	Nominalia/ Amen	Scalable	Register.it	Namesco
Horizon	5 years	5 years	5 years	5 years	5 years	5 years
Growth rate:						
EBITDA	Above considerations apply.	Above considerations apply.	Above considerations apply.	Above considerations apply.	Above considerations apply.	Above considerations apply.
Growth rate beyond horizon	0%	0%	0%	0%	0%	0%

The terminal value was generally determined over an infinite horizon for all CGUs observed. Measurements were reached with assistance from a major consulting firm specialized in this activity.

The following clarifications are provided with regard to the assumptions underlying the economic and financial plans referred to above and approved by the individual companies' directors.

For the CGUs belonging to the Dada.pro Division:

#### Domain & hosting

Growth forecasts were built on the basis of average growth rates by the domain & hosting business in previous years, as well as other specific growth factors. Because the market is extremely fragmented, management believes that growth in this business is influenced mainly by the effectiveness of the strategies implemented.

The relevant strategies in this regard are as follows:

- Acquisition of new customers by boosting advertising investments, in particular from 2012;
- Product development in the domain & hosting business (e.g. website builders, e-commerce, aftermarket services), with a positive impact on upselling to existing customers;
- Optimization of the D&H "product store";
- Post-acquisition integration of platforms;
- Better unification of platforms in order to exploit market potential.

#### Online advertising

The plans developed for impairment testing took account of the benefits relating to the Simply project and to scalable advertising:

Simply: Review and finalization of the development process begun in 2009, with a resulting delay in the revenue forecasts laid down in earlier plans;

Scalable advertising: Development and fortification of the existing Peeplo and Save'n'Keep lines:

- Improved management and design of shopping/travel portals, with an upward trend in declining volumes;
- Reinforcement of traffic acquisition channels and geographical base.

Regarding the advertising concession business, considering the poor results achieved in recent years and the planned sale of the subsidiary E-box S.r.l., the Dada Group no longer considers it strategic to maintain these operations.

The 2010 financial statements include provisions for the non-recurring charges arising from the reorganization. All of the concession agreements outstanding in 2010 have been terminated, releasing the company from any obligation with third parties.

For the CGUs belonging to the Dada.net Division:

Growth rates were forecast on the basis of internal assumptions (by product and by distribution market) made by the division's managers. The assumptions were built from currently available information.

More specifically, for the VAS market the strategy involves maintaining the Group's competitive position in traditional countries, building up its local presence in countries with

growth potential (plan for new country launches), pulling out of countries with little potential, and rolling out VAS 2.0 initiatives.

Total investments for the acquisition of new customers (COA) in the traditional VAS business over the horizon considered are in line with investment in 2010, while revenue shows a limited decline.

The music business, which has operated at a loss since its introduction in April 2008, will be suspended starting in 2012 under a plan of action consistent with the budget. As a result, the main contracts for the purchase of content are not expected to be renewed or renegotiated.

In keeping with the above, the 2010 financial statements include all non-recurring charges from this reorganization of the Dada.net business, with particular reference to human resources.

The television business is expected to grow, thanks especially to the launch of the digital terrestrial channel Play.me (multiplatform music TV) in late 2010, which increased advertising revenue.

The discount rate used for future cash flows is the weighted average cost of capital (WACC). It was determined separately for the individual CGUs and takes account of the following parameters (among others): cost of money, specific risk factors for the business, risk-free return on assets and marginal income tax rates. The rate therefore respects the operations performed by each CGU, while also taking account of the trend in market rates and in the overall macroeconomic scenario. The rates employed were as follows:

Cash Generating Unit	WACC (post tax)
Attività USA	6,10%
Altro Net	8,88%
Namesco/Poundhost	7,85%
Scalable	6,67%
Nominalia/Amen	7,59%
Register.it	7,62%

As for the calculation of the CGUs' value in use, the recoverability of goodwill relating to Register.it S.p.A., Nominalia SA, Namesco Ltd, the Poundhost Group and the Amen Group was tested using the discounted cash flow method, by projecting the cash flows contained in the five-year economic and financial forecasts described above for each of the three CGUs.

This process revealed no elements that would suggest an impairment of the goodwill recognized in the financial statements.

Impairment testing included a detailed sensitivity analysis of all CGUs considered, measuring how the test results would vary along with changes in WACC and the growth rate (g). The outcome provided additional support for the recoverability of the amounts assigned to the CGUs.

Given the particular significance of the goodwill attributed to Namesco Ltd., below are the key sensitivity results with respect to the WACC and g rate used to calculate terminal value for this CGU:

<b>Sensitivity Analysis - Valore d'Uso</b>						
€/000						
		<b>g (growth) rate</b>				
		<b>(0,50%)</b>	<b>(0,25%)</b>	<b>0,00%</b>	<b>0,25%</b>	<b>0,50%</b>
<b>WACC</b>	<b>7,35%</b>	57.669	59.298	61.037	62.900	64.898
	<b>7,60%</b>	55.645	57.159	58.773	60.496	62.341
	<b>7,85%</b>	53.745	55.155	<b>56.655</b>	58.254	59.962
	<b>8,10%</b>	51.957	53.273	54.670	56.157	57.741
	<b>8,35%</b>	50.273	51.503	52.807	54.192	55.664

<b>Sensitivity Analysis - Plus (Minus)</b>						
€/000						
		<b>g (growth) rate</b>				
		<b>(0,50%)</b>	<b>(0,25%)</b>	<b>0,00%</b>	<b>0,25%</b>	<b>0,50%</b>
<b>WACC</b>	<b>7,35%</b>	20.710	22.339	24.079	25.941	27.939
	<b>7,60%</b>	18.686	20.200	21.814	23.538	25.383
	<b>7,85%</b>	16.786	18.196	<b>19.696</b>	21.295	23.003
	<b>8,10%</b>	14.999	16.315	17.712	19.198	20.782
	<b>8,35%</b>	13.314	14.545	15.848	17.233	18.705

The recoverability of the goodwill relating to Dada Entertainment Inc., Dada.net S.p.A., Giglio S.p.A. and the other companies in the Dada.net Division was tested using the DCF method, by projecting the cash flows contained in the five-year economic and financial forecasts described above for each of the two CGUs.

Results were as follows:

Goodwill for the "US Operations" CGU passed the impairment test in part, leading to an impairment loss of €4.9 million;

Goodwill pertaining to Dada.net S.p.A. in the "Other Net" CGU did not pass the impairment test, and was written off in full in the amount of €1.3 million.

The goodwill pertaining to Clarence S.r.l. (€0.4 million) in the Dada.net Division was also written off in full without undergoing impairment testing, as the company's operations were suspended during the year due to its inability to produce positive cash flows for the future.

These writedowns were made necessary by the particular growth problems of certain markets served by the CGUs of the Dada.net Division. For further information, see the section on performance by business division in the directors' report.

These impairment testing procedures were expressly and independently approved by the directors of the Parent Company, Dada S.p.A.

As Dada S.p.A. is listed on the Milan Stock Exchange (STAR segment), we report that its market capitalization at 31 December 2010 (€78.5 million) and as of this writing (€68 million) exceeds its equity.

### Other changes

The other changes shown under movements in goodwill concern an operation concluded in 2010: the merger of the US companies Dada USA Inc., Dada Ent. LLC and Upoc Inc., all direct or indirect subsidiaries of Dada.net S.p.A., with effect from the first of April. This was a reverse merger in which the subsidiary Upoc took over its parent, Dada USA Inc., and its affiliate, Dada Ent. LLC, considerably streamlining the Group's structure in the US market. It had no significant impact on recognized goodwill. Following the merger, the surviving company Upoc Inc. changed its name to Dada Ent. Inc.

## 9. Intangible assets

Movements in intangible assets in 2009 and 2010 are reported below:

	Balance at 31/12/09	Increases	Decreases	Impairment losses	Other movements	Exchange differences	Amorti- zation	Balance at 31/12/10
Goodwill	102,818	7,552	0	-7,849	-3,916	3,406	0	102,011
<b>Total goodwill</b>	<b>102,818</b>	<b>7,552</b>	<b>0</b>	<b>-7,849</b>	<b>-3,916</b>	<b>3,406</b>	<b>0</b>	<b>102,011</b>
Product/service development costs	9,929	5,476	0	-392	0	46	-5,177	9,882
Concessions, licenses and brands	295	153	0	0	31	-26	-225	228
Other	3,881	1,225	0	-180	0	17	-2,336	2,607
Patents and other rights	842	1,318	-842	0	261	0	-491	1,088
Assets under development and advances	409	0	-117	0	-292	0	0	0
<b>Total intangible assets</b>	<b>15,356</b>	<b>8,172</b>	<b>-959</b>	<b>-572</b>	<b>0</b>	<b>37</b>	<b>-8,229</b>	<b>13,805</b>
<b>Total</b>	<b>118,174</b>	<b>15,724</b>	<b>-959</b>	<b>-8,421</b>	<b>-3,916</b>	<b>3,443</b>	<b>-8,229</b>	<b>115,816</b>

See Note 11 regarding the composition, movements impairment losses of goodwill.

"Other movements" in intangible assets (excluding goodwill) concern changes in the scope of consolidation, particularly the line-by-line consolidation of the Poundhost Group companies as from 1 January 2010. They also include the effects of applying IFRS 5 to the intangible assets of E-Box S.r.l., sold in February 2011.

Increases for "product/service development costs" refer to the capitalization of expenses incurred to develop new products and services, mostly concerning the portals and services of the Dada.net and Dada.pro Divisions. These assets relate to the fee-based "Community & Entertainment" products and services that are purchased via web or mobile (SMS). Costs were incurred by Dada.net, especially for the provision of VAS and music services in foreign markets and the integration of the new store for the French subsidiary Amen, and above all for the "Simply" project of the Dada.pro Division. For further information, see the description of the two divisions' performance in the directors' report.

"Patents and other rights" include music television rights acquired by Giglio S.p.A. for its TV platforms.



Intangible assets are capitalized on the basis of their future profitability and in accordance with the criteria established by international accounting standards.

Their recognition is supported by a careful evaluation of the future economic benefits of these services, based on available forecasts for the two divisions. Amortization is completed on a straight-line basis over five years.

Assets under development and advances refer to projects begun in late 2009 but put into production in 2010. There was no work in progress at the close of the year.

Impairment losses for product and service development refer entirely to assets concerning the gaming service capitalized by Fueps in previous years. The writedown was necessary due to the impairment of all intangible assets and goodwill ascribed to Fueps. For the sake of prudence, the intangible assets not expected to produce benefits in future years were also written off.

The heading "Other" includes software, trademark registration costs, and user licenses, amortized on a straight-line basis over five years. Exchange differences cover the changes in intangible assets contributed by foreign companies due to exchange rate fluctuations.

## 10. Property, plant and equipment

Movements in property, plant and equipment in 2009 and 2010 are reported below:

	Balance at 31/12/09	Increases	Decreases	Impairment losses	Other movements	Exchange differences	Depreciation	Balance at 31/12/10
Plant and EDP machines	10.093	4.396	-25	0	1.187	168	-4.783	11.036
Furniture and fittings	1.228	87	-31	0	0	16	-250	1.047
Other	138	8	-6	0	0	0	-62	78
	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>11.459</b>	<b>4.491</b>	<b>-62</b>	<b>0</b>	<b>1.187</b>	<b>184</b>	<b>-5.095</b>	<b>12.161</b>

Most of the increase in plant and machinery concerns the purchase of servers and the installation of servers, networking systems and storage systems to enhance the server farm.

The increase in furniture and fittings refers mainly to improvements at various premises.

Decreases refer to plant and machinery that were disposed of and derecognized during the year before being fully depreciated.

"Other movements" include the effects of consolidating the Poundhost companies from the start of 2010. Exchange differences cover the effect of exchange rate fluctuations on the translation of foreign companies' financial statements into euro.

## 11. Equity investments in non-consolidated subsidiaries, associates and other companies

There were no equity investments in associates or other companies at the end of 2010.

During the previous year, the associate Dada Entertainment LLC became a wholly-owned subsidiary (effective 1 June 2009) due to a change in its governance, as explained earlier in detail. For the period to 31 May 2009, when it was valued using the equity method, the Group's share of profit/loss was a negative €0.5 million.

## 12. Other financial assets and deferred tax assets

The following table breaks down other financial assets at the close of 2010 and 2009:

	31/12/10	31/12/09	Change	% change
Financial receivables and other non-current assets	210	138	72	52%
<b>Total financial assets</b>	<b>210</b>	<b>138</b>	<b>72</b>	<b>52%</b>
Deferred tax assets	6,555	10,682	-4,127	-38%

Other non-current assets consist of security deposits, including those with the domain registration authority.

Deferred tax assets are discussed in these notes in the section on taxes.

## 13. Stock options

Share-based payment plans (stock options) are described in detail in the directors' report. Below are the key features of the plans in effect at 31 December 2010:

	Plan of 03/02/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Term	2009-2012	2009-2012	2009-2012	2009-2015	2009-2015
Total options on issue date	700,700	55,000	25,000	410,000	50,000
Total remaining options at 31/12/09	469,550	50,000		380,000	50,000
Issue price	14.782	15.47	16.99	6.05	6.875

The Dada Group's stock option plans undergo actuarial valuation by an independent actuary. The following table presents the data used for the valuation of each of the six plans outstanding:

Data used for valuation	Plan of 03/02/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Valuation date	Grant date	Grant date	Grant date	Grant date	Grant date
Model used	Binomial	Binomial	Binomial	Binomial	Binomial

Annual exit rate	5%	5%	5%	5%	5%
Expected volatility	23.50%	29.07%	29.07%	29.07%	37.30%

Data used for valuation	Plan of 03/02/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Risk-free interest rate	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve
Estimated dividends	zero	zero	zero	zero	zero
Vesting conditions	90% EBITDA 2008	90% EBITDA 2008	90% EBITDA 2008	88.5% EBITDA 2009/2010/2011	88.5% EBITDA 2009/2010/2011

Expected volatility reflects the assumption that historical volatility is indicative of future trends, although actual outcomes may differ.

The fair value of the plans is measured as of the grant date. See the directors' report for a detailed description of each plan.

The valuation of stock options in accordance with IFRS 2 has had no impact on this item, because the plans currently in force involve non-market vesting conditions tied to company performance that are not expected to be met. One vesting condition is that the employee remain in the company's service until the vesting date.

## 14. Inventories

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Work in progress	93	7	-86	
Total	93	7	-86	

Closing inventories relate to the value of projects still underway at 31 December 2010, on a rate of completion basis.

## 15. Trade and other receivables

The following table breaks down trade receivables at the close of 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Trade receivables	32,121	36,710	-4,589	-13%
Provision for doubtful accounts	-3,460	-2,750	-710	26%
<b>Total</b>	<b>28,661</b>	<b>33,960</b>	<b>-5,299</b>	<b>-16%</b>

The decrease in trade receivables is the result of two main factors: the general decline in business volumes with respect to the previous year, and the recognition of the receivables (and payables) of E-Box under assets held for sale.

It can therefore be said that the trend in trade receivables was in line with the trend in revenue earned by the Group in 2010. The average turnover on trade receivables is 60-90 days, and differs for the Group's three divisions. Dada.pro collects receivables very quickly (or even in advance) for domain and hosting services, but more slowly for online advertising.

Dada.net's receivables are concentrated on a small number of customers, mostly telephone carriers and aggregators in Italy and abroad. Because the online gaming business was gradually reduced starting in May 2010, there are no significant trade receivables outstanding.

As a result of the customer mix, there was a further increase in average turnover in 2010, but many customers enjoy a solid credit rating.

Movements in the provision for doubtful accounts are shown in the following table:

	Balance at 31/12/09	Increase for the period	Utilizations for the period	Exchange differences	Other movements	Balance at 31/12/10
Provision for doubtful accounts	2.750	800	- 90			3.460
<b>Total</b>	<b>2.750</b>	<b>800</b>	<b>-90</b>	<b>0</b>	<b>0</b>	<b>3.460</b>

Increases in this provision reflect the need to write down some receivables during the year due to the economic problems of certain customers. Utilizations relate to positions closed during the year, either because the receivable was deemed to be uncollectable or because a settlement was reached with the debtor.

The change in the scope of consolidation had no impact on this item. The increase on the previous year is due in part to the general market crisis and the resulting payment problems, especially in the online advertising business.

At 31 December 2010, the provision for doubtful accounts was sufficient to cover potential losses on all trade receivables. There are no trade receivables due beyond one year that would require an assessment of financial effects.

The Company estimates that the carrying value of trade and other receivables approximates their fair value.

No receivables have a residual maturity of longer than five years.

In 2010, no single customer was responsible for revenue exceeding 10% of the total.

The following table shows "Other receivables" at 31 December 2010 and the previous year:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Tax receivables	2.702	2.805	-103	-4%
Advances paid to suppliers	240	0	240	
Other receivables	3.798	6.132	-2.334	-38%
Prepayments	3.381	2.877	504	18%
<b>Total</b>	<b>10.121</b>	<b>11.814</b>	<b>-1.693</b>	<b>-14%</b>

Tax receivables consist mainly of advances paid on direct taxes by various Group companies, as well as VAT advances paid at the end of the year. The decrease with respect to the previous year is due primarily to the smaller VAT advance paid in 2010. Tax receivables include tax credits and withholding tax charged in some of the countries where the Group operates, which will be recovered in the course of 2011.

The heading "Other" includes, among other items, deposits with domain registration authorities (€0.7 million) and receivables for down payments.

Prepayments consist of service costs pertaining to periods beyond the year end. Most of the costs relate to the provision of domain & hosting services by the Dada.pro Division, and to certain types of content purchased by Dada.net. They showed a slight upward trend due to the change in the scope of consolidation and the increase in certain operations.

## 16. Cash and cash equivalents

The table below presents cash and cash equivalents at the close of 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Bank and post office deposits	6.521	7.732	-1.211	-15,66%
Cash and valuables on hand	33	429	-396	-92,31%
<b>Total</b>	<b>6.554</b>	<b>8.161</b>	<b>-1.607</b>	<b>-19,69%</b>

The total represents liquidity and cash balances at the end of the year. The interest earned on Italian bank deposits, most of them held at two banks, is the one-month Euribor minus 0.3-0.5%.

## 17. Share capital and reserves

### 17.1 Group equity

At 31 December 2010, Dada S.p.A.'s share capital was comprised of 16,097,079 ordinary shares with a par value of €0.17 each, for a total of €2.8 million.

Movements in equity items are reported on page 84.

	Amount	Eligibility for use	Amount available	Utilizations in the last three years	
				for loss coverage	for other reasons
Share capital	2,756				
Capital reserves:					
Share premium reserve	32,071	A-B-C	32,071		
Extraordinary reserve	12,544	A-B-C	12,544		
Translation reserve	- 7,342				
Other reserves	896				
IFRS transition reserve	-2,756				
Profit reserves:					
Legal reserve	950	B	399		
<b>Total</b>			<b>45,013</b>		
<b>Non-distributable portion</b>			<b>551</b>		
<b>Remaining amount distributable</b>			<b>44,462</b>		

\* Eligibility for use:

Key:

A: for capital increases

B: for loss coverage

C: for dividends

*Legal reserve:* this is a profit reserve built through allocation of the net profit for the year. It can only be used in the amount exceeding one fifth of the share capital.

At 31 December 2010 it had a balance of roughly €1 million. There was no change on the previous year, because 2009 closed with a loss that was carried forward in full.

*Share premium reserve:* this is a capital reserve generated by contributions from shareholders or the conversion of bonds into shares. There is no specific limit on its use, once the legal reserve has reached one fifth of the share capital. At 31 December 2010 it had a balance of €32.1 million; there was no increase in 2010.

*Other reserves:* these consist of the FTA reserve (first-time adoption of IFRS), the extraordinary reserve, the cash flow hedge reserve, and the equity transaction reserve. The extraordinary reserve contains €12.5 million, unchanged on the previous year. The FTA reserve has a negative balance of €2.8 million; movements refer to the portion of stock options for employees and directors recognized in the income statement. The cash flow hedge reserve amounted to -€0.5 million at the end of 2010, and did not exist the previous year.

The equity transaction reserve for application of IFRS 3 Revised concerns the transfer of Dada Ent. LLC, and the second stage of the acquisition of Giglio S.p.A. in February 2010. In detail:

	Amount
Greater value of sale of non-controlling interest to Sony	5,145
Realizable value of put option	- 8,000
Allocation of non-controlling interest for exercise of the put	5,194
Second-stage acquisition of Giglio Group S.p.A.	-911
<b>Balance of equity transaction reserve</b>	<b>1,428</b>

*Translation reserve:* this reserve contains the differences arising from the translation of subsidiaries' financial statements prepared in currencies other than the euro. At 31 December 2010 it showed a negative balance of €7.3 million. Movements in the year, totaling €3.1 million, arose from the translation of the financial statements of Dada Brasile, Poundhost, Namesco and Dada Ent. Inc., and especially from the translation of the latter two's goodwill.

*Consolidation reserve:* At 31 December 2010 this reserve had a negative balance of €40 thousand, representing the difference between the carrying amount of consolidated subsidiaries and the corresponding portion of equity upon first-time consolidation.

The following table reconciles the net profit and equity of the Parent Company with consolidated figures at and for the year ended 31 December 2010:

**RECONCILIATION BETWEEN THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**

	At and for the year ended 31 December 2010			
	NET PROFIT		EQUITY	
	Group	Non-controlling interests	Group	Non-controlling interests
<b>Per Parent Company's financial statements</b>	<b>-13,149</b>		<b>40,300</b>	
Translation reserve	o		-7,342	
Gain from revaluation of goodwill	o		6,654	
Equity transaction reserve	o		1,428	
Net profit/loss of subsidiaries	-12,458		8,022	
Cash flow hedge reserve	o		-469	
Impairment losses on equity investments	4,863		4,863	
Provision for Sony put	3,245		3,246	
Non-controlling interests in equity and net profit	o	-895	o	65
Other adjustments			-56	
<b>Per consolidated financial statements</b>	<b>-17,499</b>	<b>-895</b>	<b>56,645</b>	<b>65</b>



## 17.2 Non-controlling interests in equity

These refer to the profits/losses pertaining to non-controlling shareholders of the companies Dada.net S.p.A. (owned 13% by Sony) and Giglio Group (owned 75% by Alessandro Giglio).

The non-controlling interests arising from the purchase of Dada Ent. LLC have been eliminated because of the put options granted by contract to the non-controlling shareholder, while the relevant interests in profit have been recognized as usual.

## 18. Loans and borrowing

The following table breaks down loans and borrowing at the end of 2010 and 2009:

	31/12/2010	31/12/2009	Change	% change
<i>Payables:</i>				
due to banks	56.090	43.490	12.600	22,46%
due to other sources of finance	380	367	13	3,42%
<b>Total*</b>	<b>56.470</b>	<b>43.857</b>	<b>12.613</b>	<b>22,34%</b>
* Including €1 million in derivatives				

Amounts due to banks consist of amortizing loans with the Dada Group for a total of €47.6 million, account overdrafts for €8.5 million, and current account payables with RCS MediaGroup for €0.4 million.

Company	Opening balance	Remaining balance at 31/12/10	Duration	Maturity
<b>Loans and credit facilities:</b>				
Register.it S.p.A.	30.000	17.114	7 years	31/07/2014
Register.it S.p.A.	18.864	17.536	5.5 years	30/06/2016
Register.it S.p.A.	1.500	1.500	18 months	30/12/2011
Dada Net S.p.A.	1.500	1.500	18 months	11/11/2011
Giglio Group S.p.A.	1.500	1.261	3 years	30/04/2013
Giglio Group S.p.A.	350	78	4 years	29/10/2011
Giglio Group S.p.A.	28	19	4 years	30/04/2013
Giglio Group S.p.A.	600	500	1 year	29/10/2011
Namesco Ltd	2.477	1.091	3 years	05/03/2012
Giglio Group S.p.A.	300	300	1 month	non-revolving
Dada S.p.A.	3.000	3.000	1 month	non-revolving
Dada USA Inc.	3.844	3.181	1 month	non-revolving
<b>Subtotal</b>	<b>63.963</b>	<b>47.080</b>		
<b>Leases:</b>				
Poundhost	599	306	3 years	31/12/2013
Giglio Group	446	243	3 years	01/07/2013
<b>Subtotal</b>	<b>1.045</b>	<b>549</b>		
<b>Account overdrafts:</b>				
Dada S.p.A.	7.173	7.173		
Giglio Group	1.288	1.288		
<b>Subtotal</b>	<b>8.461</b>	<b>8.461</b>		
<b>Total borrowings</b>	<b>73.469</b>	<b>56.090</b>		

The portion of loans due within one year is restated to current payables.

The following table shows movements in long-term loans and current payables to banks:

	Balance at 31/12/09	INCREASES	DECREASES	OTHER CHANGES	Balance at 31/12/10
<b>PAYABLES</b>					
banks - non-current	30.861	23.682	-26.029	27	28.541
banks - current	11.328	18.764	-11.187	183	19.088
<b>Total</b>	<b>42.189</b>	<b>42.446</b>	<b>-37.216</b>	<b>210</b>	<b>47.629</b>
Account overdrafts	1.300	7.300	-139		8.461
Other	368	12			380
<b>Grand total</b>	<b>43.857</b>	<b>49.758</b>	<b>-37.355</b>	<b>210</b>	<b>56.470</b>

**Description of loans held by the Dada Group at 31 December 2010:**

Register.it S.p.A.

On 16 July 2007, a €30 million loan was taken out with a major bank to finance the acquisition of Namesco Ltd. in July 2007. The loan has a remaining balance of €17.1 million, matures on 31 July 2014, and is being paid back in 14 installments due on 31 January and 31

July of each year. Interest is indexed to the one-, three- or six-month Euribor plus a variable spread, currently 1.15%. The loan is hedged by an interest rate swap at the rate of 3.81%.

On 22 December 2010, three outstanding loans with a major bank were refinanced, leading to the issue of a new amortizing loan of €18.9 million to cover the remaining balances on the original three loans, which had been taken out to finance the acquisition of the Amen Group (remaining balances of €5.7 million maturing on 31 July 2015 and €6.4 million maturing on 30 June 2014) and the Poundhost Group (original loan of €7.5 million contracted on 14 January 2010 and maturing on 14 January 2015). For the second two loans, two interest rate caps were acquired at respective strike rates of 3.5% and 3%. The caps failed to qualify as hedges. The new amortizing loan involves an initial payment of €1.3 million on 31 December 2010, followed by 11 half-yearly payments on 30 June and 31 December of each year. The final maturity is 30 June 2016 and the interest rate is the six-month Euribor plus a variable spread, currently 3.5%. The balance due at 31 December 2010 was €17.6 million.

On 1 July 2010, a stand-by credit facility of €1.5 million was opened with a major bank to finance current operations. It has a term of 18 months, expiring on 30 December 2011, and charges interest at the one-month Euribor plus 1.5%.

#### Dada S.p.A

On 28 July 2010, a credit facility of €3 million was opened with a major bank to finance current operations, charging interest at the one-month Euribor plus 1.6%.

#### Giglio Group S.p.A.

On 7 April 2009, a four-year, €1.5 million loan maturing on 30 April 2013 was taken out with a major bank. Payments are made quarterly with interest charged at the three-month Euribor plus 2%; the balance due is €1.3 million.

On 1 October 2007, a four-year, €0.4 million loan with monthly payments was taken out with a major bank. The interest rate is the three-month Euribor plus a maximum spread of 1.5%; the balance due is currently €0.1 million.

In September 2007 a credit facility of €0.3 million was obtained at the three-month Euribor plus 1.75%.

On 29 October 2010, a one-year, €0.6 million loan expiring on 29 October 2011 was taken out with a major bank; payments are made monthly with interest of 2% and the remaining balance at 31 December 2010 was €0.5 million.

#### Namesco Ltd

On 4 February 2009, Namesco took out a loan of GBP 2.2 million (equivalent to €2.5 million at the exchange rate of 31 December 2010) maturing on 5 March 2012. Payments are monthly and interest is the bank's sterling base rate plus a spread of 2.25%. At the end of 2010, the balance due was €1.1 million.

#### Dada.net S.p.A.

On 12 May 2010 Dada.net S.p.A. opened a €1,500 thousand credit facility with a leading bank to finance current operations. The 18-month facility expires on 11 November 2011 and charges the one-month Euribor plus 1.5%.

#### Dada Ent Inc.

This company opened a short-term credit facility on 3 April 2008 with a major bank in New York. The one-month Libor plus 1.25% is charged on the principal of USD 4.3 million (€3 million). The credit can be renewed from month to month at the beneficiary's discretion. The balance at the end of 2010 was €3.2 million.

The rest of bank debt consists of:

- finance leases with a remaining balance of €0.2 million held by Giglio Group, and finance leases with a remaining balance of €0.3 million held by Poundhost;
- overdrawn current accounts with major banks, held by Dada S.p.A. (€7.2 million) and Giglio Group S.p.A. (€1.3 million);
- the intercompany account between Dada S.p.A. and RCS MediaGroup, with a balance of €0.4 million at 31 December 2010.

## 19. Provisions for risks and charges

Provisions showed the following movements in 2010:

	Balance at 31/12/09	Increase for the period	Utilizations for the period	Exchange differences	Other movements	Balance at 31/12/10
Reserves for risks and charges	2.350	3.317	- 1.526			4.141
<b>Total</b>	<b>2.350</b>	<b>3.317</b>	<b>-1.526</b>	<b>0</b>	<b>0</b>	<b>4.141</b>

They cover potential liabilities from pending contractual and legal disputes, as well as reorganization costs for certain areas of business. The substantial increase with respect to 2009 is due primarily to the recognition of reorganization costs and liabilities for some legal situations that have worsened as a result of particular circumstances in the market.

Utilizations during the year refer to the settlement of disputes. Increases relate to new disputes that arose in 2010, and the revision of estimates made in previous years due to developments in ongoing litigation. At 31 December 2010, provisions consisted of €2.9 million for reorganization costs, €1 million for business litigation, and €0.2 million for other disputes.

No detailed information is given on the specific positions covered, in order not to prejudice the outcome of proceedings.

## 20. Retirement and other post-employment benefits

Movements in the provision for employee termination indemnities are shown in the table below:

	Balance at 31/12/09	Increase for the year	Utilizations for the year	Other movements	Interest expense on discounting	Balance at 31/12/10
Provision for termination indemnities	1,209	1,035	-116	-828	15	1,315
<b>Total</b>	<b>1,209</b>	<b>1,035</b>	<b>-116</b>	<b>-828</b>	<b>15</b>	<b>1,315</b>

The provision for termination indemnities (*trattamento di fine rapporto* or TFR) amounted to €1.3 million at the close of the year, and covers the liability accrued to all employees in accordance with the law and the collective employment contract.

"Other movements" refer to the payment to INPS (Italian Social Security) of the TFR accrued in 2010 that was included in the increase for the year.

As required by international accounting standards, the liability was determined using the Projected Unit Credit method, which treats every period of employment as the source of an additional unit of benefits and measures each unit separately when calculating the total obligation.

In accordance with Finance Act no. 296 of 27 December 2006, for the purposes of IAS 19 only the liability for accrued TFR remaining with the company was considered, as the amount accruing later is paid to a separate entity.

This calculation was performed by an independent actuary using the following method:

- projection for each employee on the payroll at the close of 2010 of the TFR accrued until estimated retirement age;
- computation, for each employee on the payroll at 31 December 2010 and for each year until estimated retirement age, of the probable TFR benefits the Company will have to pay in case of dismissal, requests for advances, voluntary resignation, death or retirement;
- discounting of each probable payment to present value;
- reproportioning for each employee of the probable, discounted benefit payments on the basis of seniority on the valuation date with respect to seniority on the date each payment is made.

Specifically, the following assumptions were used:

VALUATION DATE	31/12/10
Mortality table	SIM/F 1998
Reduction rate	20.00%
Advance request rate: Executives	1.00%
Advance request rate: Middle management	0.50%
Advance request rate: White collar	1.00%
Advance request rate: Trainees	0.00%
Future inflation rate	2.10%
Discount rate	4.10%
Leaving rate: Executives	0.50%
Leaving rate: Middle management	0.50%
Leaving rate: White collar	4.00%
Leaving rate: Trainees	0.50%

## 21. Other payables due beyond one year

The following table breaks down other payables due beyond one year at the end of 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Due for put option	8,000	8,000	-	-
Non-current derivative liabilities	839	1,020	-181	-17%
<b>Total</b>	<b>8,839</b>	<b>9,020</b>	<b>-181</b>	<b>-2%</b>

The liability for the put option granted to the non-controlling shareholders of Dada.net amounts to €8 million. This relates to the 13% interest in Dada.net S.p.A. held by Sony. The value of €8 million constitutes the negotiated floor price, which approximates the fair value of the option at 31 December 2010. For further information on the put option, see section on business combinations with reference to Dada Ent. LLC.

Regarding non-current derivative liabilities, see the detailed explanation in the section on IFRS 7 at the end of this report.

## 22. Trade and other payables

The following table shows trade payables and other payables at 31 December 2010 and the previous year:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Trade payables	35.810	36.789	-979	-3%
	<b>35.810</b>	<b>36.789</b>	<b>-979</b>	<b>-3%</b>
Taxes payable	2.684	4.701	-2.017	-43%
	<b>2.684</b>	<b>4.701</b>	<b>-2.017</b>	<b>-43%</b>
Other payables	3.857	5.984	-2.127	-36%
Due to social security institutions	1.324	1.221	103	8%
Deferred income	12.730	15.223	-2.493	-16%
	<b>17.911</b>	<b>22.428</b>	<b>-4.517</b>	<b>-20%</b>
<b>Total</b>	<b>56.405</b>	<b>63.918</b>	<b>-7.513</b>	<b>-12%</b>

As mentioned above for trade receivables, the decrease in payables relates to the general decline in business volumes in 2010. These items were also affected by the use of IFRS 5 for the investment in E-box S.r.l.

Trade payables are amounts due for purchases of a commercial nature and other types of cost.

The company estimates that the carrying value of trade and other payables approximates their fair value. Given the above, the decrease is deemed to be strictly correlated with the decline in business volumes.

Taxes payable (€2.7 million) include withholding tax on salaries and consultants' pay for the month of December and income taxes pertaining to the year. The latter consist mainly of IRAP (regional tax) for the Group's Italian companies and of local taxes for subsidiaries abroad. The decrease on the previous year reflects the lower tax charge for 2010, due to the reduction in the pre-tax profit.

The heading "Other" consists mainly of employee salaries for the month of December, accruals for the "14th month" bonus, and amounts due for pay in lieu of holiday.

Deferred income originates from contract revenue on domain, hosting, connectivity and other resale services pertaining to future periods. The decrease in this item reflects a change in the way various services are provided, mostly pertaining to Register.it S.p.A., Amen France SA and Dada Ent. Inc.

## 23. Net change in financial payables and other financial assets recorded in the statement of cash flows

The following table reconciles the change in consolidated net financial position with the change in cash and cash equivalents:

EUR/ooo	31/12/2010	31/12/2009
Change in net financial position	-13.979	-5.229
New long-term loans	-2.320	2.374
Change in non-cash derivatives	-242	970
Current account with RCS	380	0
<b>Change in cash and cash equivalents per statement of cash flows</b>	<b>-16.161</b>	<b>-1.885</b>

The principal changes refer mainly to the long-term portion of new loans taken out during the period.

## 24. Commitments and risks

Commitments and risks at the close of 2010 and 2009 are presented below:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Guarantees	3.432	10.565	- 7.132	-68%
<b>Total</b>	<b>3.432</b>	<b>10.565</b>	<b>- 7.132</b>	<b>-68%</b>

The following table shows movements in guarantees during the year:

	Balance at 31/12/09	Increase for the period	Utilizations for the period	Other movements	Balance at 31/12/10
Reserves for risks and charges	10.565	177	7.319	10	3.432
<b>Total</b>	<b>10.565</b>	<b>177</b>	<b>7.319</b>	<b>10</b>	<b>3.432</b>

With respect to 2009, the warrants to grant credit given by Dada S.p.A. to its subsidiaries have not been considered. They are recognized as commitments in the separate financial statements of the Parent Company.



**Decreases:**

One of the most significant decreases was the expiration of the guarantee provided to the sellers of Poundhost in December 2009. The guarantee was issued by a major Italian bank in the amount of GBP 6.5 million, the equivalent of €7.3 million at 31 December 2009. It expired when the acquisition of Poundhost was finalized in January 2010.

**Increases:**

The largest increases concerned the guarantees given to the tax authorities for Group VAT and the guarantee given to the Ministry of Trade to back a contest with prizes.

There are no potential commitments that are not recorded in the balance sheet.

## 25. Related party transactions

Transactions with related parties fall within the normal scope of operations and are carried out at arm's length.

The Company engages in commercial transactions consisting of the purchase and sale of services, with subsidiaries and with members of RCS MediaGroup, which at 31 December 2010 owned 50.7% of Dada S.p.A. and currently owns 54.627% due to the purchase of 630,000 shares from Paolo Barberis. The following table indicates the assets, liabilities, costs and income between the Dada Group and related parties, excluding intercompany transactions, which are eliminated in the consolidated financial statements.

Dada S.p.A.'s transactions with the company RCS MediaGroup and its subsidiaries and associates, which are also disclosed in the notes to the separate financial statements with reference to the individual items in the income statement and statement of financial position, principally relate to contracts for the provision of services and business-related activities; financial and treasury interactions via an intercompany current account.

### Commercial transactions

Company	Trade receivables	Trade payables	Revenue	Costs
RCS Group	1,284	-2,379	2257	-4,124
<b>TOTAL</b>	<b>1,284</b>	<b>- 2,379</b>	<b>2,257</b>	<b>-4,124</b>

### Financial transactions

Company	Receivables	Payables	Interest income	Interest expense
RCS Group		-380	-	-7
<b>TOTAL</b>	<b>-</b>	<b>-380</b>	<b>-</b>	<b>-7</b>

See the directors' report for further details regarding directors. Transactions with Dada Group companies mainly concern the provision of services, the lending and borrowing of funds, and the settlement of tax liabilities and are carried out at arm's length.

In accordance with IAS 24 and the new related party procedure, related parties include the directors of the Parent Company as well as executives with strategic responsibilities. The following table presents their total remuneration, in the various forms in which it was paid, in 2010 and 2009. More information on the new related party procedure is given in the directors' report.

	2010		2009	
	Cost of services	Payroll costs	Cost of services	Payroll costs
<b>Compensation of directors:</b>				
- Emoluments	493	6	440	6
- Bonuses and other incentives	-	-	125	223
- Benefits in kind	6	85	6	103
- Other remuneration		552		550
- Share-based payments	-	-	105	99
<b>Total compensation of directors</b>	<b>499</b>	<b>643</b>	<b>676</b>	<b>981</b>
Executives with strategic responsibilities	589	478		-
Board of statutory auditors	47		68	
<b>Total related parties</b>	<b>1,135</b>	<b>1,121</b>	<b>744</b>	<b>981</b>

## 26. Information pursuant to Art. 149-duodecies of the Consob Listing Rules

The following chart, prepared in accordance with Art. 149-duodecies of the Consob Listing Rules, shows the fees pertaining to 2010 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Type of service	Performed by	Recipient	Fees pertaining to 2010 (EUR/000)
Auditing	Reconta Ernst & Young S.p.A.	Parent	218
	Reconta Ernst & Young S.p.A.	Subsidiaries	153
	Ernst & Young network	Subsidiaries	155
Tax advisory	Ernst & Young network	Subsidiaries	65
Other services	Reconta Ernst & Young S.p.A.	Parent	130
	Ernst & Young network	Parent	207
Other services	Ernst & Young network	Subsidiaries	8
<b>Total</b>			<b>936</b>

Other services consist of €130 thousand for methodological support and assistance during the testing phase of the controls performed in compliance with Art. 154 bis of the Consolidated Finance Act; €60 thousand for enterprise risk management activities; €147 thousand for due diligence on a potential extraordinary operation (not realized) and €8 thousand for tax and corporate consulting on possible activities in new countries.

## 27. Disclosures pursuant to IFRS 7

The disclosures required by IFRS 7 are provided below.

### Classification of financial instruments

IFRS 7 requires disclosures on available-for-sale financial assets measured at fair value, held-to-maturity investments, loans and receivables, financial liabilities measured at fair value, and liabilities measured at amortized cost. All details are provided in the table on page 165, while the main descriptions are as follows.

The class "Available for sale financial assets" and the item "Receivables for derivative financial instruments" include the forward foreign exchange contract for the purchase of USD, which hedges financial risk from exchange rate fluctuations on accounts payable. This derivative did not pass the effectiveness test and is therefore considered a non-hedge, ineligible for hedge accounting; it is measured at fair value for €0.1 million (notional amount USD 4.6 million).

The category "Hedging instruments" includes an interest rate swap and two interest rate caps, measured at fair value. The interest rate swaps scored a 99% on the effectiveness test and were therefore subject to hedge accounting. The two interest rate caps were not eligible for hedge accounting and the entire change in fair value was recognized in profit or loss:

Purpose	Fair value			Amount recognized in equity
	Dec. 2010	Dec. 2009	Change	
Interest rate hedge on loan (cap)	36	38	-2	0
Interest rate hedge on loan (IRS)	-839	-1,020	181	-647
Exchange risk hedge	75	12	63	0
	<b>-728</b>	<b>-970</b>	<b>242</b>	<b>-647</b>

- In the "Loans and receivables" class, trade receivables have been entered net of the provision for doubtful accounts.

- In the "Loans and receivables" class, financial assets include security deposits/collateral in the amount of €0.1 million.

- In the "Loans and receivables" class, other receivables do not include the tax receivables that are outside the scope of IAS 39; further information is provided earlier in this report.

On the liabilities side, in addition to trade payables:

- In the class "Available for sale financial assets and liabilities," the item "Hedging instruments" includes interest rate swaps measured at fair value for €0.8 million which, having passed the effectiveness test, are treated according to the rules of hedge accounting;

- In the class "Loans and receivables," the item "Bank account overdrafts" for €8.8 million is comprised mainly of Dada S.p.A. overdrafts with major banks (€7.2 million), Dada S.p.A. overdrafts on the current account with RCS Media Group S.p.A. (€0.4 million) and Giglio Group (€1.3 million). Of the item "Loans and borrowing," the largest amount refers to the amortizing loans of Register.it S.p.A. (€34.6 million), Namesco UK (€1.1 million or GBP 0.9 million), and Giglio Group S.p.A. (€1.9 million). Also included are credit facilities held by Dada Ent USA (€3.2

million), Dada S.p.A. (€3 million), Dada.net S.p.A. (€1.5 million), Register.it S.p.A. (€1.5 million) and Giglio Group (€0.3 million). Additionally, "Loans and borrowing" include finance leases held by Giglio Group (€0.2 million) and the Poundhost Group (€0.3 million). There are clauses in the loan contracts that index interest rate spreads to certain debt/EBITDA thresholds on the basis of consolidated quarterly results.

The Group's loan contracts also include some clauses entitling the banks to call in the loans in advance (default covenants), with prejudice to the debtors' standing if the following parameters are breached:

Debt/EBITDA less than 3.5 and EBITDA/Net financial charges greater than 5 for the loan with a balance due of 17.1 million;

Debt/EBITDA less than or equal to 5 and EBITDA/Net financial charges greater than or equal to 5 for the loan refinanced on 22 December 2010, with a balance due of €17.6 million.

In the class "Loans and receivables," the heading "other payables" includes the liability for Sony's put option on its 13% interest in Dada.net S.p.A. (€8 million).

ASSETS									Carrying amount					
	Available for sale financial assets/liabilities		Hedging instruments		Loans and receivables		Financial liabilities measured at amortized cost		Total		of which: current		of which: non-current	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
- Non-controlling investments	o	o												
- Securities														
- Cash and cash equivalents					6,554	8,161			6,554	8,161	6,554	8,161		
- Trade receivables					28,661	33,960			28,661	33,960	28,661	33,960		
- Financial assets					100	100			100	100			100	100
- Other receivables					4,037	6,511			4,037	6,511	4,037	6,511		
- Derivative assets	75	12	36	38					111	50	111	20		30
<b>Total financial assets</b>	<b>75</b>	<b>12</b>	<b>36</b>	<b>38</b>	<b>39,352</b>	<b>48,732</b>	<b>o</b>	<b>o</b>	<b>39,463</b>	<b>48,782</b>	<b>39,363</b>	<b>48,652</b>	<b>100</b>	<b>130</b>
LIABILITIES									Carrying amount					
	Available for sale financial assets/liabilities		Hedging instruments		Loans and receivables		Financial liabilities measured at amortized cost		Total		of which: current		of which: non-current	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
- Trade payables					35,430	39,726			35,430	39,726	35,430	39,726		
- Bank account overdrafts					8,842	4,923			8,842	4,923	8,842	4,923		
- Loans and borrowing							47,629	38,934	47,629	38,934	19,087	8,439	28,542	30,495
- Other payables					11,847	14,860			11,847	14,860	11,847	6,860		8,000
- Derivative liabilities			839	1,020					839	1,020	368	204	471	816
<b>Total financial liabilities</b>	<b>o</b>	<b>o</b>	<b>839</b>	<b>1,020</b>	<b>56,119</b>	<b>59,509</b>	<b>47,628</b>	<b>38,934</b>	<b>104,586</b>	<b>99,463</b>	<b>75,574</b>	<b>60,152</b>	<b>29,012</b>	<b>39,311</b>

### Collateral

IFRS 7 requires disclosures in the case of financial assets pledged as collateral and third-party assets held as collateral. Because the Dada Group has given numerous security deposits but the amount in each case is immaterial, the following table shows only the total carrying amount at the end of 2010 and 2009; the Group has no liabilities for collateral received from third parties

Collateral pledged (€/000)	Carrying amount	
	Dec. 2010	Dec. 2009
Security deposits	100	100

### 3) Allowance for credit losses

The table below summarizes movements in the provision for doubtful accounts in 2010 and 2009. The allocation for 2010 refers to specific trade receivables for €0.6 million and to collective writedowns for €0.2 million:

	Impairment of trade receivables	
	2010	2009
Balance at start of year	-2,750	-2,367
Allocation for the year		
- for individual writedowns	-620	-350
- for collective writedowns	-180	-30
Utilizations	90	
Writebacks		
Other movements		
Exchange differences		-3
<b>Balance at end of year</b>	<b>-3,460</b>	<b>-2,750</b>

### 4) Items of income, expense, gains, and losses on financial instruments

IFRS 7 requires disclosures on interest payments, commissions and fees relating to financial instruments. Gains and losses in 2010 and 2009 are presented below:

INCOME STATEMENT (€/ooo)	Available for sale financial assets/liabilities	Hedging instruments	Loans and receivables
	2010	2010	2010
<b>NET GAIN/(LOSS)</b>			
- Securities			
- Non-controlling investments			
- Hedge derivatives		-554	
- Non-hedge derivatives	75		
- Financial assets			
<b>Total</b>	<b>75</b>	<b>-554</b>	<b>0</b>
INCOME STATEMENT (€/ooo)	Available for sale financial assets/liabilities	Hedging instruments	Loans and receivables
	2009	2009	2009
<b>NET GAIN/(LOSS)</b>			
- Securities			
- Equity investments			
- Hedge derivatives		-395	
- Non-hedge derivatives	-153		
- Financial assets			
<b>Total</b>	<b>-153</b>	<b>-395</b>	<b>0</b>



- The loss on interest rate hedges refers to the interest rate swap, to which hedge accounting applies, for €0.5 million due to the spread between fixed interest at 3.81% and variable interest; and to the two interest rate caps (not subject to hedge accounting), for €34 thousand. For further details see the section on interest rate risk.
- The net gain on the forward foreign exchange contract (hedge against exchange rate risk) concerns the forward purchase of dollars for a nominal USD 4.6 million, and amounts to €75 thousand.
- Interest income mostly consists of bank interest on deposits received by Italian companies.
- Interest expense is shown separately for amounts due to banks and account overdrafts (€0.2 million) and for amortizing loans (€1 million); it does not include the effect of the IRS on the spread between fixed and variable interest, as mentioned above. "Other payables" refer to the interest paid to RCS MediaGroup on the intercompany current account and interest expense on finance leases. A summary is presented below:

	Carrying amount	
	2010	2009
<b>INTEREST INCOME (€/000)</b>		
<b>Interest income on financial assets not measured at fair value</b>		
- Bank and post office deposits	10	67
<b>INTEREST EXPENSE (€/000)</b>		
<b>Interest expense on financial assets not measured at fair value</b>		
- Due to banks and account overdrafts	-195	-157
- Loans and borrowing	-964	-742
- Other payables	-21	
<b>TOTAL</b>	<b>-1,180</b>	<b>-899</b>

- Bank fees and charges consist of actual bank fees (€0.5 million) and charges for handling customer credit card payments (€0.7 million):

	Carrying amount	
	2010	2009
<b>FEES AND CHARGES (€/000)</b>		
- Bank fees and charges	-1,204	966

##### 5) Qualitative disclosures about risk

The Dada Group is exposed to credit risk, liquidity risk and market risk, the latter comprised of exchange risk, interest rate risk and price risk.

Special forms have been developed in order to monitor these risks using appropriate policies and procedures. Financial risks are mapped, assessed and managed according to Group policies

and tolerance of risk. All derivative assets for risk management purposes are supervised by a team of specialists with adequate knowledge and experience. The Group's policy is not to take on derivatives for speculative trading purposes.

**- Credit risk**

The Group's credit risk is more or less concentrated depending on the particular business. The following table shows maximum exposure to credit risk (excluding amounts receivable from employees, social security institutions, and the tax authorities, employee benefits and all instruments governed by IAS 12 and 19 that are outside the scope of IAS 39):

Maximum exposure to credit risk (€/000)	Dec. 2010	Dec. 2009
Bank accounts and deposits	6,654	7,832
Trade receivables	28,661	33,960
Other receivables	4,037	6,511
Derivative assets	111	50
<b>Total</b>	<b>39,463</b>	<b>48,353</b>

- Bank accounts and deposits include €6.5 million in current accounts, as well as €0.1 million in security deposits given to third parties. As these are major banks, the risk of non-collection is practically nil.

- "Derivative assets" consist of the positive fair value at 31 December 2010 of the forward foreign exchange contract for the purchase of USD (€75 thousand) and of the interest rate caps (€36 thousand).

The following tables show commercial credit risk by division and geographical area:

Concentration of commercial credit risk	Carrying amount		%	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
<b>By division</b>				
Dada.net	17,495	25,073	61.0%	73.8%
Dada.pro	10,481	7,924	36.6%	23.3%
Corporate and other	685	963	2.4%	2.8%
<b>Total</b>	<b>28,661</b>	<b>33,960</b>	<b>100%</b>	<b>100%</b>

Concentration of commercial credit risk	Carrying amount		%	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
<b>By region</b>				
Italy	16,844	13,253	58.8%	39.0%
USA	4,810	11,610	16.8%	34.2%
Europe (excluding Italy)	5,280	6,254	18.4%	18.4%
Brazil	1,282	1,978	4.5%	5.8%
Australia	187	489	0.7%	1.4%
Other	258	376	0.9%	1.1%
<b>Total</b>	<b>28,661</b>	<b>33,960</b>	<b>100%</b>	<b>100%</b>

. The table below shows the composition of trade receivables and use of the provision for doubtful accounts:

Credit quality analysis (€/000)		
	Dec. 2010	Dec. 2009
Trade receivables not overdue and not impaired	18,007	21,008
Trade receivables overdue and not impaired	10,654	12,952
Trade receivables overdue and impaired	3,460	2,750
Provision for doubtful accounts	-3,460	-2,750
<b>Total</b>	<b>28,661</b>	<b>33,960</b>

Below is an aging analysis for overdue receivables, net of the provision for doubtful accounts:

Aging analysis of overdue trade receivables (€/000)	Carrying amount		Percent of total	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
Trade receivables				
- Overdue by less than 30 days	2,362	9,890	22%	76%
- Overdue by 30-90 days	3,867	932	36%	7%
- Overdue by 90-180 days	1,240	1,248	12%	10%
- Overdue by 180-365 days	655	882	6%	7%
- Overdue by 1-2 years	2,530		24%	0%
<b>Total</b>	<b>10,654</b>	<b>12,952</b>	<b>100%</b>	<b>100%</b>

Unimpaired receivables are broken down below by customer credit rating, taking account of the geographical location of the debtor, most of which are major telephone companies and medium-sized advertising firms:

Rating analysis of performing loans not yet due (€000)		
	Dec. 2010	Dec. 2009
Rating: High	15,622	20,565
Rating: Medium		134
Not rated	2,385	309
<b>Total</b>	<b>18,007</b>	<b>21,008</b>

**- Liquidity risk**

Liquidity risk may arise due to the difficulty of obtaining loans to support operating activities when needed. IFRS 7 requires a maturity analysis for financial liabilities (including trade payables), as in the following tables for 2010 and 2009:

Maturity analysis at 31 December 2010 (€/000)	Notes	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	Total
<b>LIABILITIES</b>							
<b>NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Trade payables		35,430					35,430
Mortgage loans:							
- principal		4,820	7,787	8,416	18,525	1,600	41,148
- interest		676	616	1,002	1,313	41	3,648
Short-term credit facilities		6,480					6,480
Account overdrafts		8,842					8,842
Other payables		3,847			8,000		11,847
<b>Total</b>		<b>60,095</b>	<b>8,403</b>	<b>9,418</b>	<b>27,838</b>	<b>1,641</b>	<b>107,395</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Interest rate derivatives		135	233	346	125		839
<b>Total</b>		<b>135</b>	<b>233</b>	<b>346</b>	<b>125</b>	<b>-</b>	<b>839</b>
Exposure at 31 December 2010		60,230	8,636	9,764	27,963	1,641	108,234

Maturity analysis at 31 December 2009 (€/000)	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	Total
<b>LIABILITIES</b>						
<b>NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Trade and other payables	39,726					39,726
Mortgage loans						
- principal	3,976	4,463	8,444	20,908	1,143	38,934
- interest	276	247	780	252	8	1,563
Short-term credit facilities	4,923					4,923
Other payables	5,958		8,902			14,860
<b>Total</b>	<b>54,859</b>	<b>4,710</b>	<b>18,126</b>	<b>21,160</b>	<b>1,151</b>	<b>100,006</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>						
Interest rate derivatives	285	273	297	165		1,020
<b>Total</b>	<b>285</b>	<b>273</b>	<b>297</b>	<b>165</b>	<b>-</b>	<b>1,020</b>
Exposure at 31 December 2009	55,144	4,983	18,423	21,325	1,151	101,026

The above maturity analysis considered non-discounted future cash flows, with loans split by principal and interest.

Under "Other payables," Sony's put option on 13% of Dada.net S.p.A. (€8 million) is considered to be payable in the next two years.

Group companies' cash flow, funding requirements and liquidity are monitored or managed centrally under the control of the Group Treasury, to ensure the efficient and effective management of financial resources.

**- Market risk**

Only two types of market risk are considered: exchange risk and interest rate risk. The Dada Group is not exposed to price risk, by which financial assets/liabilities or equity instruments might lose value due to changes in the price of commodities used by the Group. To mitigate the impact of exchange rate and interest rate fluctuations, derivatives are contracted for hedging purposes and not for trading or speculation.

**- Exchange risk**

Exchange risk is considered for the foreign currency exposure of individual companies, and for intercompany commercial and financial accounts, which are eliminated in the consolidated financial statements but still generate exchange gains and losses for the company exposed to fluctuations in the foreign currency.

The following table breaks down the net financial position by currency (amounts are expressed in the €/000 equivalent at year-end exchange rates):

Net financial position	31 December 2010							
	TOTAL	EUR	USD	GBP	AUD	CAD	BRL	ARG
Non-current financial payables	-28,541	-28,182		-359				
Current financial payables	-27,550	-23,330	-3,181	-1.03				
Derivative liabilities	-839	-839						
Other financial payables	-380	-380						
Derivative assets	111	36	75					
Cash and cash equivalents	6,554	821	3,469	961	5	830	324	144
<b>TOTAL</b>	<b>-50,645</b>	<b>-51,874</b>	<b>363</b>	<b>-436</b>	<b>5</b>	<b>830</b>	<b>324</b>	<b>144</b>

Net financial position	31 December 2009						
	TOTAL	EUR	USD	GBP	AUD	CAD	BRL
Non-current financial payables	-30,861	-29,815		-1,046			
Current financial payables	-12,996	-9,220	-2,950	-826			
Derivative liabilities	-979	-979					
Other financial payables	-368	-368					
Derivative assets	12		12				
Cash and cash equivalents	8,526	3,907	2,864	843	2	238	672
<b>TOTAL</b>	<b>-36,666</b>	<b>-36,475</b>	<b>-74</b>	<b>-1,029</b>	<b>2</b>	<b>238</b>	<b>672</b>

To mitigate exchange risk and anticipate potential losses, the Group has developed a reporting system to monitor foreign currency exposure and determine when to take out derivatives (limited to the forward purchase or sale of foreign currency).

Below, the Group's exposure in different currencies (expressed in EUR/000) is presented for the end of 2010 and 2009, followed by a table of gains and losses that would be generated by these hypothetical upward or downward movements in exchange rates:

Exchange rate shock		
Currency	UP	DOWN
AUD	10%	-10%
USD	20%	-20%
GBP	10%	-10%
EUR	10%	-10%
CAD	15%	-15%
HUF	10%	-10%
INR	15%	-15%
BRL	10%	-10%
IDR	15%	-15%

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Exposure to exchange risk	AUD		USD		GBP		EUR		CAD		IDR		Total		
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	
<b>ASSETS</b>															
Foreign currency cash and cash equivalents		2	6	90		49	14	20		5			25	161	
Intercompany loans and borrowing in foreign currency							2,820	2,820					2,820	2,820	
Intercompany trade receivables in foreign currency				65		14	1,559						1,559	79	
Foreign currency trade receivables	118	489		399		13					63	279	181	1,180	
<b>Total assets</b>	118	491	6	554	0	76	4,393	2,840	5	0	63	279	4,585	4,240	
<b>LIABILITIES</b>															
Foreign currency trade payables				-2,677									0	-2,677	
Intercompany trade payables in foreign currency			-416	-564			-4,750	-4,921		-66			-5,166	-5,551	
Intercompany loans and borrowing in foreign currency							-4,451	-3,500					-4,451	-3,500	
Other payables in foreign currency		-47	-2,272		-110	-137			-42				-2,424	-184	
<b>Total liabilities</b>	0	-47	-2,688	-3,241	-110	-137	-9,201	-8,421	-42	-66	0	0	12,041	11,912	
<b>EXPOSURE AT 31 DECEMBER</b>	118	444	-2,682	-2,687	-110	-61	-4,808	-5,581	-37	-66	63	279	-7,456	-7,672	
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>															
Non-hedge derivatives			-3,443	-375										-3,443	-375
<b>Total</b>	0	0	-3,443	-375	0	0	0	0	0	0	0	0	-3,443	-375	
<b>NET EXPOSURE AT 31 DECEMBER</b>	118	444	761	-2,312	-110	-61	-4,808	-5,581	-37	-66	63	279	-4,013	-7,297	



Esposizione al rischio di cambio (Euro Migliaia)	AUD				USD				GBP				EUR				CAD				IDR				Totale				
	dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		
ATTIVITA'	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	
Cassa e simili in divisa	0	0	0	0	1	-2	15	-23	0	0	4	-5	1	-2															
Prestiti e finanziamenti intercompany in divisa	0	0	0	0	0	0	0	0	0	0	0	0	256	-313	256	-313													
Crediti commerciali intercompany in divisa	0	0	0	0	0	0	11	-16	0	0	1	-2	142	-173															
Crediti commerciali in divisa	11	-13	44	-54	0	0	67	-100	0	0	1	-1	0	0															
<b>Totale attività</b>	11	-13	45	-55	1	-2	92	-139	0	0	7	-8	399	-488	256	-313	0	0	0	0	8	-11	0	0	419	-514	400	-515	
PASSIVITA'	AUD				USD				GBP				EUR				CAD				IDR				Totale				
	dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		
Debiti commerciali in divisa	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	
Debiti commerciali intercompany in divisa	0	0	0	0	-69	104	-94	141	0	0	0	0	0	0	-447	547	0	0											
Prestiti e finanziamenti intercompany in divisa	0	0	0	0	0	0	0	0	0	0	0	0	-742	1113	-1508	2.213													
Debiti diversi in divisa	0	0	-4	5	-379	568	0	0	-10	12	-12	15																	
<b>Totale passività</b>	0	0	-4	5	-448	672	-540	810	-10	12	-12	15	-742	1113	-1955	2.760	0	0	0	0	0	0	0	0	-1200	1797	-2.512	3.591	
<b>ESPOSIZIONE AL 31 DICEMBRE</b>	11	-13	40	-49	-447	670	-448	672	-10	12	-6	7	-342	625	-1699	2.447	0	0	0	0	8	-11	0	0	-781	1283	-2.112	3.076	
STRUMENTI FINANZIARI DERIVATI																													
Derivati in di copertura	AUD				USD				GBP				EUR				CAD				IDR				Totale				
	dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		dic-10		dic-09		
	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	Shock up	Shock Down	
Derivati in di copertura					-574	861	-63	94																					
<b>Totale</b>	0	0	0	0	-574	861	-63	94	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-574	861	-63	94
<b>ESPOSIZIONE NETTA AL 31 DICEMBRE</b>	11	-13	40	-49	127	-190	-385	578	-10	12	-6	7	-342	625	-1699	2.447	0	0	0	0	8	-11	0	0	-207	422	-2.049	2.982	

**- Interest rate risk**

IFRS 7 requires a sensitivity analysis only for interest-bearing assets and financial liabilities and a shock analysis incorporating a one-point increase or decrease in the key interest rate, as follows:

Interest rate shock		
Key rate	UP	DOWN
Euribor	+1 point	-1 point

The sensitivity of the income statement to these interest rate fluctuations is presented below:

Interest rate sensitivity analysis (€/000)	Key rate	Carrying amount		Income statement			
				Shock up		Shock down	
		Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
Interest-bearing assets	1M Euribor - 0.5%		2,481		0		0
Hedged financial liabilities	1, 3, 6M Euribor + spread	-17,143	-21,429	0	0	0	0
Unhedged financial liabilities	6M Euribor + spread	-17,600		-176		176	
Unhedged financial liabilities	1, 3, 6M Euribor + spread	-17,457	-17,606	-207	-186	207	139
Unhedged financial liabilities	Bank of England base rate + 2.25%	-1,090	-1,872	-13	-14	6	9
Unhedged financial liabilities	1M Libor + 1.25%	-3,181	-2,950	-31	-34	6	7
<b>Subtotal</b>		<b>-56,471</b>	<b>-41,376</b>	<b>-427</b>	<b>-234</b>	<b>395</b>	<b>155</b>
Non-interest-bearing financial assets		6,665	5,730				
Other financial liabilities		-839	-1,020				
<b>Subtotal</b>		<b>5,826</b>	<b>4,710</b>				
<b>Total</b>		<b>-50,645</b>	<b>-36,666</b>	<b>-427</b>	<b>-234</b>	<b>395</b>	<b>155</b>

For interest-bearing assets the amount at year end was zero, as these are zero-interest accounts with foreign banks.

The loan taken out by Register.it S.p.A. for the acquisition of Namesco.com has a remaining balance of €17.1 million; although it is hedged by a 3.81% interest rate swap, the table shows the impact of an upward and downward shock on the loan underlying the derivative, which charges floating-rate interest. The effect on profit or loss of a one-point increase in the key rate is a negative €0.6 million, which would be completely absorbed by the IRS.

For Italy, the key rate is the one, three or six-month Euribor; for the GBP area it is the Bank of England base rate plus a spread of 2.25%; and for the USD area it is the one-month Libor plus 1.25%.

The effect of interest rate fluctuations is hedged by the interest rate swap mentioned above, and also by two interest rate caps not eligible for hedge accounting. These derivatives have amortizing notional amounts based on previous loans that were refinanced on 22 December 2010. The two interest rate caps should be considered as hedges even though the nominal value of the underlying does not represent the total value of the loan currently outstanding, as the two underlyings were incorporated into the refinanced loan, which had a balance due of €17.6 million at the end of the year.

At 31 December 2010, including the effect of the interest rate swap, about 30% of all financial payables were to be considered as fixed-rate and the remaining 70% as variable.

The table below breaks down the fair value of hedge derivatives into current (within one year) and non-current (beyond one year):

	31/12/10		31/12/09	
	Assets	Liabilities	Assets	Liabilities
Interest rate cap/cash flow hedge	36		38	
Interest rate swaps/cash flow hedge		-368		-462
<b>NON-CURRENT</b>	<b>36</b>	<b>-368</b>	<b>38</b>	<b>-462</b>
Interest rate cap/cash flow hedge				
Interest rate swaps/cash flow hedge		-471		-558
<b>CURRENT</b>	<b>0</b>	<b>-471</b>	<b>0</b>	<b>-558</b>
<b>TOTAL</b>	<b>36</b>	<b>-839</b>	<b>38</b>	<b>-1,020</b>

This table shows the underlying at 31 December 2010 and the payment plan for the interest rate hedges described above:

Payment plan for underlying	Total	Amortization schedule	Rate	<6 months	6 months-<1 year	1-2 years	2 - 5 years	Total
Interest rate cap	-5,600	31/12-30/06	3.50 %	-800	-800	-	-2,400	-5,600
Interest rate cap	-6,750	31/07-31/01	3.00 %	-750	-750	-	-3,750	-6,750
Interest rate swap	-17,142	31/07-31/01	3.81%	-2,142	-2,142	4,286	-8,572	17,142
<b>TOTAL</b>	<b>-29,492</b>			<b>-3,692</b>	<b>-3,692</b>	<b>7,386</b>	<b>14,722</b>	<b>29,492</b>

Florence, 14 March 2011

for the Board of Directors

A handwritten signature in blue ink, appearing to read 'Barbara Poggiali', with a long horizontal flourish extending to the right.

Barbara Poggiali, CEO



**DADA S.p.A. SEPARATE FINANCIAL  
STATEMENTS AND NOTES FOR THE YEAR  
ENDED 31 DECEMBER 2010**

Registered office: Piazza Annigoni, 9B – Florence, Italy  
Share capital: EUR 2,755,711.73 fully paid-in  
Florence Company Register no. Flo17 – 68727;  
Chamber of Commerce (REA) no. 467460;  
Tax ID/VAT no. 04628270482

## PERFORMANCE REVIEW

Dear Shareholders,

**Dada S.p.A.** closed 2010 with sales of €8.9 million versus €11.2 million in the prior year, a decrease of 21%. Please note that as of FY 2008, following significant corporate restructuring, the Dada S.p.A. Company has been focused on providing centralized corporate services to all the Group companies. Therefore, Dada S.p.A.'s revenue streams are generated solely by providing services to the directly and indirectly held subsidiaries and consist primarily in: charges for licenses and the use of software, as well as for the general corporate services provided. Part of these chargebacks are linked to the Group's business volumes, therefore any drop in consolidated sales impacts the charges payable to the parent company by the subsidiaries. A percentage of the amortization relating to development projects carried out by Dada S.p.A. through 30 June 2008 are also charged back but these charges have gradually declined and will terminate in 2012.

The drop in sales is less noticeable in fourth quarter 2010 when turnover, on a consolidated level, was basically in line with the prior year. The change in this aggregate is also explained by the cost containment measures implemented which resulted in lower subsidiary chargebacks.

The following graph shows the parent company Dada S.p.A.'s restated income statement at 31 December 2010 and at 31 December 2009:

Importi in Euro/Migliaia	31-Dec-10 12 months		31-Dec-09 12 months		DIFFERENCE	
	Amount	% of total	Amount	% of total	Absolute	%
<b>Ner revenue</b>	<b>8,905</b>	<b>100%</b>	<b>11,273</b>	<b>100%</b>	<b>-2,368</b>	<b>-21%</b>
Chg. in inventories & inc. in own wk. capitalized	0	0%	0	0%	0	
Service costs and other operating expenses	-7,456	-84%	-9,251	-82%	1,795	-19%
Payroll costs	-3,406	-38%	-3,845	-34%	439	-11%
<b>EBITDA</b>	<b>-1,957</b>	<b>-22%</b>	<b>-1,823</b>	<b>-16%</b>	<b>-134</b>	<b>7%</b>
Depreciation and amortization	-2,264	-25%	-2,454	-22%	190	-8%
Non-recurring income/(charges)	-256	-3%	-154	-1%	-102	66%
Revaluations/(impairment)	-3585	-40%	-228	-2%	-3,357	1472%
<b>EBIT</b>	<b>-8,062</b>	<b>-91%</b>	<b>-4,659</b>	<b>-41%</b>	<b>-3,403</b>	<b>73%</b>

Dada S.p.A.'s EBITDA (gross of impairment losses and other non-recurring items) in the year that just closed was negative for some €1.9 million, largely in line with the negative €1.8 million reported in the prior year. Costs and general expenses, comprised primarily of utilities, rents and leases, maintenance and consultancies, fell with respect to the prior year due to the cost containment measures implemented which resulted in a drop in subsidiary chargebacks.

Dada S.p.A.'s EBIT in 2010 reached a negative €8.1 million, versus negative €4.7 million at 31 December 2009. The difference is explained by impairment losses and non-recurring charges of €3.8 million, an increase with respect to the €0.4 million recorded in the prior year. This item includes impairment of receivables, charges for unsuccessful extraordinary transactions (for €0.6 million), while the remainder (€3.2 million) is attributable to the fair value adjustment of the put option on the 13% of Dada.net S.p.A. held by Sony and impairment following impairment testing of the CGU belonging to Dada.net.

EBIT was impacted by amortization and depreciation of €2.3 million compared to the €2.5 million reported in 2009. The decline is explained by the fact that more and more investments in intangible assets and in property, plant and equipment are made directly by the Group companies.

For more information on performance by business segment and the breakdown by geographical area please refer to the directors' report on the consolidated financial statements.

The breakdown of the current net financial position at 31 December 2010 compared with the same period in 2009 follows:

DADA S.p.A: STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010			
ASSETS	Note	31/12/10	31/12/09
<i>Non-current assets</i>			
Goodwill	6	899	1.704
Intangible assets	7	2.198	3.640
Other property, plant and equipment	7	1.190	1.123
Equity investments in subsidiaries	8	47.300	51.517
Equity investments in associates and other companies		-	-
Financial assets	8	300	3.600
- of which: related parties		200	3.500
Deferred tax assets	4	3.748	1.543
<b>Total non-current assets</b>		<b>55.635</b>	<b>63.127</b>
<i>Current assets</i>			
Inventories	13		
Trade receivables	14	29.582	25.916
- of which: related parties		29.290	24.771
Tax receivables and others	14	675	1.447
- of which: related parties		0	0
Financial assets held for trading	10	-	-
Cash and cash equivalents	15	13	2.026
<b>Total current assets</b>		<b>30.270</b>	<b>29.389</b>
<b>Non-current assets held for sale</b>		<b>2.405</b>	
<b>TOTAL ASSETS</b>		<b>88.310</b>	<b>92.516</b>

Dada S.p.A.'s current (and total) net financial position at 31 December 2010 was a negative €13.9 million, versus a negative €14.8 million at 31 December 2009. There are no debts due beyond one year.

In 2010 there was a drop, in absolute terms, of €0.9 million, due, in part, to the trend in net working capital and, in part, to the investments made during the year. This dynamic also reflects the drop in the charges made to the subsidiaries with respect to 2009. For more information about the consolidated net financial position, which is more significant than that of the parent company alone, please refer to the directors' report on the consolidated financial statements.

In the year that just closed no significant investments were made on improvements of the Florence headquarters nor in the purchase of the software and technology needed to provide corporate services.



The breakdown of Dada S.p.A.'s net working capital and the net capital employed at 31 December 2010 and at 31 December 2009 is shown below:

In €/000	31-Dec-10	31-Dec-09	DIFFERENZE	
			Absolute	%
<b>Fixed assets (A) (*)</b>	<b>51,687</b>	<b>61,584</b>	<b>-9,897</b>	<b>-16%</b>
Current operating assets (B)	8,486	12,658	-4,172	-33%
Current operating liabilities (C)	-4,531	-5,584	1,053	-19%
<b>Net working capital (D)=(B)-(C)</b>	<b>3,955</b>	<b>7,074</b>	<b>-3,119</b>	<b>-44%</b>
Provision for termination indemnities (E)	-225	-219	-6	3%
Provision for risks and charges (F)	-3,577	-186	-3,391	1823%
<b>Net capital employed (A+D+E+F)</b>	<b>51,840</b>	<b>68,253</b>	<b>-16,413</b>	<b>-24%</b>
Long-term debt	0	0	0	
<b>Equity (G)</b>	<b>-40,300</b>	<b>-53,449</b>	<b>13,149</b>	<b>-25%</b>
<b>Assets/liabilities held for sale</b>	<b>2,405</b>		<b>2,405</b>	
Current bank payables	-10,173	0	-10,173	
Other current financial payables	-380	-368	-12	3%
Cash pooling	-3,605	-16,462	12,857	-78%
Other current financial receivables	200		200	
Cash and cash equivalents	13	2,026	-2,013	-99%
<b>Current net financial position</b>	<b>-13,945</b>	<b>-14,804</b>	<b>859</b>	<b>-6%</b>

Net working capital at 31 December 2010 amounted to €3.9 million, a substantial drop with respect to the €7.1 million recorded in the prior year (-44%) due primarily to the economic

performance explained also by the noticeable reduction in the other components of working capital.

Trade receivables consist primarily in amounts payable by Group companies. The drop in fixed assets is explained by the impairment relative to the interest in Fueps S.p.A. after recapitalization of losses covered during the year.

## Financial risk

Please refer to Note 4.8.

### Alternative performance indicators:

This report provides the following economic and financial indicators in addition to those required IFRS:

*EBITDA*: used by the management of the Dada Group to monitor and assess the Group's operating performance, but not a recognized accounting measure under IFRS. Because the composition of EBITDA is not governed by the accounting policies, the Dada Group's method of calculating it may differ from that used by others and may therefore make comparisons unreliable. Below is a summary of how the Dada Group calculates EBITDA:

**Pre-tax profit (gross of the profit of assets held for sale)**

+ Financial charges

- Financial income

+/- Gains/losses from equity investments in associates

**Operating profit**

+ Restructuring costs

+ Amortization, depreciation and impairment losses on fixed assets

+/- Atypical charges/income

+ Impairment losses on trade receivables

**EBITDA – Operating profit before amortization, depreciation, impairment losses, atypical charges/income and impairment losses on receivables.**

*Net working capital*: the difference between current assets and liabilities, i.e. those due within one year of the balance sheet date. Within this item, deferred tax assets are split into current and non-current portions according to the amount expected to be recovered with the following year's profit;

*Net capital employed*: fixed assets plus net working capital, less non-financial liabilities (provision for employee termination indemnities and provision for risks and charges);

*Net short-term financial position*: cash and cash equivalents, current financial assets and current financial liabilities;

*Total net financial position*: net current financial position and all financial receivables and payables due beyond one year.

## PURCHASE OF TREASURY SHARES

The general meeting on 19 April 2010 revoked the authorization dated 23 April 2009 to purchase and sell treasury shares and renewed the authorization for the Board of Directors to buy, on one or more occasions, in full or in part, up to a maximum number of ordinary shares representing 10% of share capital, within 18 months from the date of the resolution at a price no more than 20% below and no more than 10% above the official quoted price on the trading day before each purchase and, in any case, for a total amount that could exceed the distributable reserves reported in the most recently approved financial statements or the amount of distributable profits; the same general meeting also authorized the Board of Directors to use the treasury shares already held or acquired as a result of the new authorization, to undertake sales/purchases, exchanges, contributions etc. including for the acquisition of equity investments.

Treasury shares already held or acquired under the new authorization may be disposed of within three years of the shareholders' resolution at a price, or valuation, no less than 95% of the average official price reported in the thirty trading days before the instructions to sell, or the official commitment to sell, if earlier. This authorization will expire on 19 October 2011.

The Company did not hold any treasury shares at 31 December 2010.

## Investments held directly or indirectly by Directors, Statutory Auditors and General Managers

Name	Company	Number of shares held at 31.12.2010	Number of shares held at 31.12.2009
Paolo Barberis	Dada S.p.A.	870,000	870,000
Lorenzo Lepri	Dada S.p.A.	7,400	7,400

## Options granted to Directors during the year

During 2010 no options were granted to or exercised, nor did any options held expire.

Name	Office held	Options held at end of year		
		Number of options	Average exercise price	Exercise period
Paolo Barberis	Chairman	297,400	9.79	From the date of approving the 2008 financial statements up until 2012 for 127,400 options and from the date of approving the 2011 consolidated financial statements up until 11 November 2015 for 170,000 options
Barbara Poggiali	CEO	90,000	6.05	From the date of approving the 2011 consolidated financial statements up until 11 November 2015
Lorenzo Lepri	Director	70,000	6.05	From the date of approving the 2011 consolidated financial statements up until 11 November 2015

Dada S.p.A.'s Report on Corporate Governance and Ownership Structure can be found in the directors' report on the Dada Group's financial statements.

## PRIVACY

With regard to compliance with regulations governing privacy and treatment of personal data, please note that based on Legislative Decree n. 196 of 30 June 2003 "The Personal Data Protection Code" (the Privacy Code) and, more specifically, the minimum security measures to be implemented found in Annex B to the Privacy Code (point 26) when it is required to attach the directors' report to the separate financial statements by law (Articles 2428-2478-*bis* and 2435-*bis* of the Italian Civil Code), reference should be made to the Privacy Protection Plan adopted and updated

Based on the Privacy Code, the minimum security measures called for in Annex B must be implemented whenever the data gathered and electronically is defined in the above Decree as "sensitive" or "judicial". Dada S.p.A. uses computerized systems to maintain the databases where the personal data treated by the company is kept, as well as to monitor and update the Privacy Protection Plan in accordance with the law.

In accordance with point 19 of the Privacy Code Dada S.p.A. and the head of data treatment, appointed as per Article 29 of the Privacy Code, the Privacy Protection Plan was drawn up and the current updates should be finalized by the end of March 2011, as required by law.

## RELATED PARTY TRANSACTIONS

Please refer to Note 19.

## EMPLOYEES

Please refer to the directors' report on the Dada Group's operations.

## ENVIRONMENTAL POLICY

The objectives of the Dada Group's environmental policy are:

- to **optimize** the use of renewable energy and natural resources by improving the technologies used in the Group's offices and spaces;
- to **increase environmental awareness** including through the use of specific corporate initiatives;
- to implement environmentally friendly purchasing policies.

## WASTE

The Group companies provide services which produce a limited quantity of waste that are managed as follows:

Paper	Recycled
Toner	Given to a specialized firm for disposal
Obsolete hardware	Given to a specialized firm for disposal
Non separated waste mixed with urban waste	Collected in communal containers

## **WATER**

The Group companies consume a limited amount of water for sanitary needs and personal hygiene.

## **ENERGY**

The Dada Group pays careful attention to energy consumption. With regard to electricity, low consumption lighting systems, which still comply with regulation lighting requirements, have been installed at all the Dada Group company offices.

## **SAFETY**

The Group's policy with regard to safety in the workplace is focused on continuous improvement and dedicating the utmost attention to related issues.

All the Group's businesses are involved in and dedicated to office work.

Dada complies fully with applicable norms and regulations, updates its risk assessment report and addendums constantly in order to reflect any organizational and technical changes that have taken place.

The Group's Integrated Workplace Safety Management System is part of the Group's overall management system.

Frequent meetings are held in order to analyse, program and plan implementation of the needed improvements, training and to verify compliance.

## **SIGNIFICANT EVENTS IN 2010**

On 20 October 2010 Dada's Board of Directors reached a decision regarding the request of its parent, RCS MediaGroup, to provide information on the Dada Group as part of an effort made by RCS, with assistance from a leading finance house, to explore options for value enhancement as previously disclosed to the market. Dada decided to comply with this request as it was deemed to be in the best interest of the company and all of its shareholders.

## **SUBSEQUENT EVENTS**

On 11 February 2011 Dada announced that the Board of Directors and Paolo Barberis had reached a mutual agreement to end the collaboration between Paolo Barberis and Dada, a company founded by Paolo Barberis in 1995, due to diverging strategic visions of the Company.

Paolo Barberis, therefore, tendered his resignation, effective immediately, as a Director (and consequently, as Chairman) of the Company. The agreement reached between the parties was first submitted to the Committee for Related Party Transactions which issued a favourable

opinion and it was on the basis of this opinion that the Company's Board of Directors approved the transaction which is considered a less material transaction under the law. On the same date an agreement of consensual termination relative to the directorship held was signed based on which Paolo Barberis received a gross payment of €616,666 and corporate assets which he had been using for some time, as were non-compete and non-solicitation agreements relative to the Dada Group companies against a gross payment of €720,000. Both payments were made to Paolo Barberis upon the signing of the relative agreements.

Paolo Barberis advised the Company that, on the same date, he had sold a total of 630,000 Dada shares and, consequently, he holds less than 2% of the Company's share capital.

The Board of Directors, as per the resolution approved by the Board of Statutory Auditors, acknowledged Paolo Barberis's resignation, and then co-opted Alberto Bianchi, Esq. (as there were no remaining candidates on the list to which Mr. Barberis belonged) Chairman of the Board of Directors in accordance with Art. 2386 of the Italian Civil Code and Art. 19 of the Company's by-laws.

Mr. Bianchi declared that he qualifies as an independent director under Art. 148, para. 3 of Legislative Decree 58/1998, as well as the Corporate Governance Code for Listed Companies. The Board assessed Mr. Bianchi's independent status in accordance with the law, as it was deemed inappropriate to base the assessment on the Corporate Governance Code given the special assignment granted.

On 11 February 2011, in light of the fact that director Salvatore Amato had been a director for more than 9 of the last 12 years, the Company's Board of Directors, held that said director no longer qualified as an independent director under the Corporate Governance Code for Listed Companies. In light of the above, the Board of Directors resolved to call upon the following independent directors to replace director Amato:

- as a member of the Compensation Committee, director Foti;
- as a member of the Internal Control Committee, director Russi;

both independent directors as defined in the Corporate Governance Code for Listed Companies. The Board of Directors, also appointed director Foti Chairman of the Internal Control Committee.

On 11 February 2011 the Board of Directors also, including on the basis of the results of a strategic analysis conducted with a primary consulting firm, decided to proceed with the valorisation of the Dada.net division which would allow the Company to rationalize its asset portfolio and concentrate its financial and managerial resources more effectively. The Board examined, with the support of its financial advisor, a few of the non-binding letters of interest regarding Dada.net received from different industrial players. The assessment of the letters of interest was based on economic-financial considerations, as well as on analysis of the industrial project proposed and the potential impact on local employment.

The Board, therefore, granted the Chief Executive Officer a mandate to sign an exclusive agreement with Buongiorno S.p.A. for 45 days aimed at performing a due diligence process and, subject to the outcome of the same, proceed with the negotiation of an agreement between the parties for the sale of the equity interest in Dada.net S.p.A. and its subsidiaries to Buongiorno.

In the name of maximum disclosure we advise that on 11 February 2011, the Board of Directors of the parent company RCS MediaGroup S.p.A. – having acknowledged the activities carried out on the basis of the exploratory mandate granted a primary financial advisor (Mediobanca) regarding, among other things, the valorisation of Dada and the negotiations underway regarding the valorisation of Dada.net as disclosed on 11 February 2011 by Dada – announced that it is confident that the activities undertaken by Dada will make it possible to reach the goals set for optimization and valorisation and excludes, therefore, the possibility of disposing of its entire holding in Dada.

On 16 February 2011 Dada S.p.A. finalized, along with the minority shareholders, the sale of its holding in E-Box S.r.l., owner of Blogio, to Populis Ltd.. Based on the sales agreement, negotiated in December and announced on 17 January 2011, a purchase price of €6 million was paid, €4.2 million of which to the Dada Group who owns 70% of the company. Part of this amount, €0.2 million, was deposited in an escrow account for 12 months from the date of sale. This transaction generated a capital gain of €2 million.

The transaction is in line with Dada's previously announced strategy to refocus and rationalize Dada's asset portfolio.

## OUTLOOK

The persistence of the global conditions of the market in which the Dada S.p.A.'s subsidiaries are active and the steps taken to rationalize the asset portfolio, particularly with regard to the decision to optimize the Dada.net Division, will result in a reorganization of the Company in order to ensure that the structure of the corporate activities meets the Group's new needs, including in order to maintain a flow of chargeback revenue and dividends such that the economic results show improvement with respect to the year that just ended.

## ALLOCATION OF RESULT FOR THE YEAR

Dear Shareholders,

we hereby submit for your approval the separate financial statements at 31 December 2010 which closed with a loss for the year of €13,149,191.75.

We propose to carry forward the loss and, therefore, submit the following resolution to you for your approval:

“The Shareholders’ Annual General Meeting of Dada S.p.A.

- having examined the Directors’ report on operations;
- having acknowledged the reports prepared by the Board of Statutory Auditors and the external auditors Ernst & Young S.p.A.;
- having examined the financial statements at 31 December 2010 which show a loss of €13,149,191.75:

### RESOLVES

- 1)
- 2) to approve the Directors’ report on operations and the separate financial statements at 31 December 2010 which show a loss of €13,149,191.75 as presented by the Board of Directors;
- 3) to carry forward the loss reported in the separate financial statements at 31 December 2010”

Florence, 14 March 2011

for the Board of Directors  
CEO  
Barbara Poggiali





## DADA S.p.A. RECLASSIFIED INCOME STATEMENT FOR 2010\*

Amounts in Euro/thousand	2010		2009		DIFFERENCE	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Net Revenues</b>	<b>8,905</b>	<b>100%</b>	<b>11,273</b>	<b>100%</b>	<b>-2,368</b>	<b>-21%</b>
Changes in inventory and internal work	0	0%	0	0%	0	
Service costs and other operating costs	-7,456	-84%	-9,251	-	1,795	-19%
Labour costs	-3,406	-38%	-3,845	-43%	439	-11%
<b>Ebitda **</b>	<b>-1,957</b>	<b>-22%</b>	<b>-1,823</b>	<b>-20%</b>	<b>-134</b>	<b>7%</b>
Amortisation & depreciation	-2,264	-25%	-2,454	-28%	190	-8%
Non-recurring income (charges)	-256	-3%	-154	-2%	-102	66%
Revaluations/(Write-downs)	-3,585	-40%	-228	-3%	-3,357	1472%
<b>Ebit</b>	<b>-8,062</b>	<b>-91%</b>	<b>-4,659</b>	<b>-52%</b>	<b>-3,403</b>	<b>73%</b>
Investment income	69	1%	143	2%	-74	-52%
Financial income/(charges)	-7,598	-85%	-325	-4%	-7,273	2238%
<b>Profit/(loss) before taxes</b>	<b>-15,591</b>	<b>-175%</b>	<b>-4,841</b>	<b>-54%</b>	<b>-10,750</b>	
Income taxes	2,442	27%	755	8%	1,687	223%
<b>Net profit/(loss)</b>	<b>-13,149</b>	<b>-148%</b>	<b>-4,086</b>	<b>-46%</b>	<b>-9,063</b>	<b>222%</b>

**WORKING CAPITAL AND NET FINANCIAL POSITION OF DADA S.p.A. AS AT December 31,  
2010\***

Amounts in Euro/thousand	Dec 31, 10	Dec 31, 09	DIFFERENCE	
			Absolute	%
<b>Fixed assets (A)</b>	<b>51,687</b>	<b>61,584</b>	<b>-9,897</b>	<b>-16%</b>
Current assets (B)	8,486	12,658	-4,172	-33%
Current liabilities (C)	-4,531	-5,584	1,053	-19%
<b>Net working capital (D) = (B)-(C)</b>	<b>3,955</b>	<b>7,074</b>	<b>-3,119</b>	<b>-44%</b>
Employee leaving indemnity provision (E)	-225	-219	-6	3%
Provision for risks and charges (F)	-3,577	-186	-3,391	1823%
<b>Net capital employed (A+D+E+F)</b>	<b>51,840</b>	<b>68,253</b>	<b>-16,413</b>	<b>-24%</b>
Medium-long term payables	0	0	0	
<b>Shareholders' equity</b>	<b>-40,300</b>	<b>-53,449</b>	<b>13,149</b>	<b>-25%</b>
<b>Assets held for sale</b>	<b>2,405</b>		<b>2,405</b>	
Short-term bank debt	-10,173	0	-10,173	
Short-term financial receivables and securities	-380	-368	-12	3%
Treasury management cash pooling	-3,605	-16,462	12,857	-78%
Cash and cash equivalents	13	2,026	-2,013	-99%
<b>Short-term net financial position</b>	<b>-13,945</b>	<b>-14,804</b>	<b>859</b>	<b>-6%</b>

**DADA S.p.A.**

**SEPARATE FINANCIAL STATEMENTS**

**DADA S.p.A.: STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010**

	Ref.	2010 (12 months)	2009 (12 months)
<b>Net revenue</b>	<b>4.1</b>	<b>8,905</b>	<b>11,273</b>
- of which: related parties		8,905	11,217
Cost of raw materials and consumables		-36	-82
Chg. in inventories & inc. in own wk. capitalized			
Service costs and other operating expenses		-7,122	-8,948
- of which: related parties		-1,433	-1,632
Payroll costs	4.2	-3,406	-3,845
- of which: related parties		-643	-981
Other operating revenue and income		3	24
Other operating expenses	4.3	-557	-399
- of which: non-recurring	4.4	-256	-154
Provisions and impairment losses	4.5	-3,585	-228
Depreciation and amortization	4.6	-2,264	-2,454
<b>EBIT</b>		<b>-8,062</b>	<b>-4,659</b>
Investment income	4.7	69	143
- of which: related parties		63	113
- of which: non-recurring			
Financial charges	4.7	-255	-325
- of which: related parties		-106	-196
Impairment losses on subsidiaries		-7,343	0
<b>Comprehensive income</b>		<b>-15,591</b>	<b>-4,841</b>
Income taxes	5	2,442	755
<b>Net profit (loss)</b>		<b>-13,149</b>	<b>-4,086</b>
Other comprehensive income		0	0
<b>Comprehensive net income (loss)</b>		<b>-13,149</b>	<b>-4,086</b>
Basic earnings/loss per share		-0.811	-0.252
Diluted earnings per share		-0.776	-0.241

## DADA S.p.A: STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010

ASSETS	Note	31/12/10	31/12/09
<b><i>Non-current assets</i></b>			
Goodwill	6	899	1.704
Intangible assets	7	2.198	3.640
Other property, plant and equipment	7	1.190	1.123
Equity investments in subsidiaries	8	47.300	51.517
Equity investments in associates and other companies		-	-
Financial assets	8	300	3.600
- of which: related parties		200	3.500
Deferred tax assets	4	3.748	1.543
<b>Total non-current assets</b>		<b>55.635</b>	<b>63.127</b>
<b><i>Current assets</i></b>			
Inventories	13		
Trade receivables	14	29.582	25.916
- of which: related parties		29.290	24.771
Tax receivables and others	14	675	1.447
- of which: related parties		0	0
Financial assets held for trading	10	-	-
Cash and cash equivalents	15	13	2.026
<b>Total current assets</b>		<b>30.270</b>	<b>29.389</b>
Non-current assets held for sale		2.405	
<b>TOTAL ASSETS</b>		<b>88.310</b>	<b>92.516</b>

## DADA GROUP: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2010

EQUITY AND LIABILITIES	Note	31/12/10	31/12/09
<b>EQUITY AND LIABILITIES</b>			
<i>Capital and reserves</i>			
Share capital	16	2.756	2.756
Share premium reserve	16	32.071	32.071
Treasury shares	16		
Legal reserve	16	950	950
Other reserves	16	19.109	19.109
- of which: related parties		1.208	1.413
Retained earnings		-1.437	2.649
Net profit/(loss)		-13.149	-4.086
<b>Total shareholders' equity</b>		<b>40.300</b>	<b>53.449</b>
<i>Non-current liabilities</i>			
Bank loans (due beyond one year)		0	0
Provision for risks and charges	20	3.578	186
Provision for employee termination indemnities	12	225	219
Other payables due beyond one year		0	0
<b>Total non-current liabilities</b>		<b>3.803</b>	<b>405</b>
<i>Current liabilities</i>			
Trade payables	21	33.306	36.477
- of which: related parties		30.097	33.638
Other payables	21	661	2.078
- of which: related parties		113	348
Taxes payable	21	67	107
Bank overdrafts and loans (due within one year)	21	10.173	
<b>Total current liabilities</b>		<b>44.207</b>	<b>38.662</b>
Liabilities relating to assets held for sale			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>88.310</b>	<b>92.516</b>

<b>DADA S.p.A: STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010</b>		
<b>In EUR/ooo</b>	<b>2010 (12 months)</b>	<b>2009 (12 months)</b>
<b>Operating activities</b>		
<b>Net profit (loss)</b>	<b>-13,149</b>	<b>-4,086</b>
<i>Adjustments:</i>		
Impairment losses on equity investments	7,343	
Income from trading	-69	-143
Financial charges	255	325
Costs for share-based payments	0	396
Income taxes	-2,442	-754
Depreciation	375	346
Amortization	1,889	2,107
Other provisions and impairment losses	3,769	385
Increases/(decreases) in provisions	-288	-668
<b>Cash flow from operating activities before changes in working capital</b>	<b>-2,317</b>	<b>-2,092</b>
(Increase)/decrease in receivables	6,473	14,647
Increase in trade payables	-188	-25,764
<b>Cash flow from operating activities</b>	<b>3,968</b>	<b>-13,209</b>
Interest paid	-175	-151
<b>Net cash flow from operating activities</b>	<b>3,793</b>	<b>-13,360</b>
<b>Investing activities</b>		
Interest received	35	133
Change in equity investments in subsidiaries and associates	-5,586	-7,484
New goodwill acquired	0	-805
Purchase of property, plant and equipment	-442	-197
Purchase of financial assets	3,500	4,501
Purchase of intangible assets	-447	-379
<b>Net cash flow used in investing activities</b>	<b>-2,940</b>	<b>-4,231</b>
<b>Financing activities</b>		
Dividends paid by subsidiaries	6	
<b>Net cash flow from financing activities</b>	<b>6</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>859</b>	<b>-17,591</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>-14,804</b>	<b>2,787</b>
<b>Cash and cash equivalents at 31 December 2010</b>	<b>-13,945</b>	<b>-14,804</b>

DADA S.p.A: STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share prem. res.	Legal res.	Other reserves	Retained earnings	Net profit / (loss)	Total
Balance at 1 January 2010	2.756	32.070	950	19.110	2.649	-4.086	53.449
Allocation of 2009 profit					-4.086	4.086	0
Profit/(loss) for the period						-13.149	-13.149
Other comprehensive income (losses)				0			0
Total comprehensive income (losses)				0	0	-13.149	-13.149
Share-based payments				0			0
Decons./aquis./chg. % hd.							0
<b>Other changes</b>							0
<b>Balance at 31 December 2010</b>	<b>2.756</b>	<b>32.070</b>	<b>950</b>	<b>19.110</b>	<b>-1.437</b>	<b>-13.149</b>	<b>40.300</b>

DADA S.p.A: STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Share prem. res.	Legal res.	Other reserves	Retained earnings	Net profit / (loss)	Total
Balance at 1 January 2009	2.756	32.070	950	18.652	4.395	-1.746	57.077
Allocation of 2008 profit					-1.746	1.746	0
Profit/(loss) for the period						-4.086	-4.086
Other comprehensive income (losses)				0			0
Total comprehensive income (losses)				0	0	-4.086	-4.086
Capital increase							0
Share-based payments				458			458
Decons./aquis./chg. % hd.							0
Other changes							0
<b>Balance at 31 December 2009</b>	<b>2.756</b>	<b>32.070</b>	<b>950</b>	<b>19.110</b>	<b>2.649</b>	<b>-4.086</b>	<b>53.449</b>



## ACCOUNTING POLICIES AND NOTES

### 1. Company information

Dada S.p.A. is a joint-stock company incorporated in Italy and listed in the Florence Companies Register, and an issuer of shares traded in the STAR segment of the Milan Stock Exchange. Its registered office and main operating locations are specified in the introduction to the annual report.

### 2. Going concern

The financial statements have been prepared on a going concern basis. Dada S.p.A. has determined that despite the difficult economic and financial context, there are no material uncertainties (per paragraph 25 of IAS 1) regarding its ability to continue as a going concern.

### 3. Preparation criteria

#### Compliance with IFRS

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The term "IFRS" encompasses all of the International Accounting Standards (IAS) and all interpretations published by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC).

The financial statements were prepared in accordance with the historical cost convention, with the exception of financial assets available for sale, which were measured at fair value. The financial statements are expressed in euro (€) as this is the currency in which most of the Group's operations are conducted.

#### Reporting formats

The separate financial statements are comprised of the statement of financial position, the income statement, the statement of changes in equity, the statement of cash flows, and these notes.

As required by applicable regulations, the full-year financial statements have been prepared in consolidated form and have been audited by Reconta Ernst & Young S.p.A.

With regard to reporting formats:

- in the statement of financial position, current and non-current assets and current and non-current liabilities are shown separately;
- in the income statement, costs are presented by type;
- the statement of cash flows has been prepared according to the indirect method.

## Equity investments in subsidiaries and associates

Equity investments in subsidiaries are measured at cost and undergo periodic impairment testing, conducted at least one a year or whenever there is evidence of possible impairment. The measurement is based on discounted cash flow, according to the method described below under "Impairment losses." Any impairment losses are charged to profit or loss the year they are recognized. If the reasons for the impairment loss cease to apply, the carrying amount of the investment is restored up to its original cost. This reversal is recognized in profit or loss.

## Impairment losses

At every reporting date, Dada S.p.A. reviews the carrying amount of its intangible assets and its property, plant and equipment to determine if there are any signs of impairment. If so, the recoverable amount of the assets is estimated to determine any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives, including goodwill and equity investments, undergo impairment testing each year and whenever there are signs of possible impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In determining value in use, the estimated future cash flows are discounted to their current value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When impairment is reversed, the asset or cash-generating unit is written back to the new estimate of recoverable value (except in the case of goodwill), which may not exceed the net carrying value that the asset would have had if the impairment loss had not been charged. The reversal of an impairment loss is taken immediately to the income statement.

## Non-current assets held for sale

Non-current assets (or disposal groups) classified as held for sale are recognized at the lower of carrying amount and market value net of costs to sell.

Non-current assets (and disposal groups) are classified as held for sale when their carrying amount is expected to be recovered by way of sale rather than use in business operations. This condition is only met when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its current condition, and Management has committed to the sale, which should take place within 12 months of the classification as held for sale.

## Intangible assets

Intangible assets acquired separately are initially capitalized at cost, while those acquired through business combinations are capitalized at the acquisition-date fair value. Subsequently, intangible assets are carried at cost net of accumulated amortization and any impairment losses. Internally generated intangible assets, excluding development costs, are not capitalized and the expenditure is charged to the income statement the year it is incurred. The useful life of intangible assets is deemed to be finite.

Intangible assets with finite useful lives are amortized over their useful life and tested for impairment any time there are indications of a possible loss in value. The period and method of amortization is reviewed at the end of each year, or more frequently if necessary. Changes in the estimated useful life or the manner in which the future economic benefits associated with the asset will be achieved by the Group are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization of intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

#### *Research and development costs*

Research costs are charged to profit and loss as and when incurred. Development costs relating to an individual project are capitalized only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete the asset for use or sale, how the asset will generate future economic benefits, the availability of technical, financial or other resources to complete development, and the ability to reliably measure expenditure during the development process.

During the development phase, the asset undergoes impairment testing once a year. After initial recognition, development expenditure is measured at cost less accumulated amortization and any impairment losses. The asset starts to be amortized once development is completed and the asset is available for use. It is amortized over the estimated period in which the project will generate revenue for the Group. While the asset is not yet in use, it will undergo impairment testing once a year.

#### *Other intangible assets*

These are initially recognized at cost and amortized on a straight-line basis over their estimated useful life. Impairment losses may be charged as a result of impairment testing (see below).

Gains or losses from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss at the time of the disposal.

## **Property, plant and equipment**

Property, plant, machinery, equipment and other tangible assets are recognized at purchase or production cost, net of accumulated depreciation and any impairment losses. Cost includes related charges and a reasonable allocation of direct and indirect expenses.

Fixed assets are depreciated on a straight-line basis over their estimated useful life, at the following annual rates:

Plant and EDP machines: 20%

Furniture and fittings: 12%

Ordinary office machines: 12%

## **Inventories**

Inventories are comprised of contract work in progress outstanding at the close of the year. The value of contracts is measured on a percent of completion basis.

## Receivables

Receivables are stated at face value, and reduced to estimated realizable value by way of a provision for doubtful accounts. The provision reflects recovery estimates carried out for each position as well as the overall riskiness of receivables, taking account of guarantees and insurance coverage.

Receivables due beyond one year that do not bear interest or bear interest at lower than market rates are discounted at market rates.

## Financial assets

Financial assets are recognized or derecognized on the basis of transaction date and are initially measured at cost, including direct acquisition costs.

Subsequently, the financial assets that Dada S.p.A. intends and is able to hold to maturity are recognized at amortized cost using the effective interest method, net of impairment losses.

Financial assets other than those held to maturity are classified as held for trading or available for sale and are measured at each period end at fair value.

If the financial assets are held for trading, gains and losses arising from changes in fair value are recognized in profit or loss for the period. For available-for-sale financial assets, gains and losses arising from changes in fair value are attributed directly to equity until the assets are disposed of or suffer impairment; at that point, all of the gains and losses previously recognized in equity are taken to profit or loss for the period.

## Cash and cash equivalents

This item comprises cash on hand, current bank accounts, deposits payable on demand, and other short-term, highly liquid investments that are readily convertible into cash and subject to an insignificant risk of changes in value. They are stated at face value. In the consolidated statement of cash flows, cash and cash equivalents are defined as above but are shown net of bank account overdrafts.

## Payables

Payables are stated at face value.

## Bank loans

Bank loans and account overdrafts are recognized on the basis of the amounts received, net of transaction costs, and are subsequently valued at amortized cost using the effective interest rate method.

## Equity instruments

Equity instruments issued by the Company are recognized in the amount received, net of direct issue costs.

## Provisions for risks and charges

Provisions are recognized when the Company has a present obligation as a result of a past event and it is likely that the expense will be incurred. They are based on management's best estimate of the cost of fulfilling the obligation as of the reporting date, and are discounted to present value when the effect is significant.

## Translation of foreign currency items

The separate financial statements are expressed in euro, which is the functional and presentation currency used by Dada S.p.A. Transactions in foreign currency are initially recognized at the exchange rate in force (versus the functional currency) on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate in force at year end.

All exchange differences are recognized in profit or loss, except for those arising from foreign currency loans taken out to finance an investment in an overseas firm, which will be recognized in equity until the investment is sold and then reclassified to profit or loss.

Tax liabilities and credits attributable to exchange differences on such loans are also recognized in equity.

## Revenue recognition

Revenue is recognized to the extent the Company is likely to enjoy the economic benefits and the amount can be reliably determined. It is shown at the fair value of the consideration received, excluding discounts, rebates and taxes. The following criteria must be satisfied before revenue is recognized in profit or loss:

### Sale of goods

Revenue is recognized when the company has transferred to the buyer all risks and rewards of ownership, which generally coincides with the shipping date.

### Services

Revenue from services is recognized when the service is rendered. In the case of projects, revenue is measured according to the ratio of hours worked to total estimated hours for each contract. If the outcome of the contract cannot be reliably measured, revenue is only recognized to the extent that the costs incurred are expected to be recovered.

### Interest

Interest is recognized as financial income on an accruals basis, using the effective interest method (effective interest is the rate that exactly discounts estimated future cash receipts through the expected life of the asset to its net carrying amount).

### Dividends

Dividends are recognized when the shareholders are entitled to receive payment.

## Pension funds and other post-employment benefits

These funds and benefits are unfunded. The cost of benefits due under defined benefit plans is determined actuarially for each plan, using the projected unit credit method. Gains and losses arising from the actuarial calculation are recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognized on a straight-line basis over the average vesting period. If the benefits are already vested upon the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less any past service costs not yet recognized and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

## Share-based payments (stock options)

### Equity-settled transactions

The cost of share-based payments to employees for benefits granted after 7 November 2002 is measured at fair value as of the grant date. Fair value is determined by an external appraiser using an appropriate valuation model. See Note 18 for further details.

The cost of equity-settled transactions, along with the corresponding increase in equity, is recognized over the period starting when the conditions relating to the achievement of targets and/or service performance have been satisfied and ending when the employees become fully entitled to the reward (the vesting date). The cumulative expense recognized for these transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the best available estimate of the number of awards that will ultimately vest. The cost or income recognized for the year is the change in the cumulative expense at the beginning and the end of the year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon market conditions, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other conditions are met. Where the initial conditions are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee; such an expense is measured at the date of modification.

Where an award is canceled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the canceled award, and designated as a replacement award on the date that it is granted, the new awards are treated as a modification of the original award as described in the previous paragraph.

## Taxes

### Current taxes

Current tax assets and liabilities for 2007 and previous years are valued at the amount expected to be received from or paid to the tax authorities. The tax rates and laws used to calculate that amount are those that have been enacted or substantively enacted by the balance sheet date.

Current taxes relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

### Deferred taxes

Deferred taxes are calculated using the "liability method" on temporary differences existing at the reporting date between the value of assets and liabilities for tax purposes and the value reported in the balance sheet.

Deferred tax liabilities are recognized on all taxable temporary differences, with the following exceptions:

- when deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, if the reversal of the temporary differences can be controlled and will probably not occur in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and for tax assets and liabilities carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforwards can be utilized, with the following exceptions:

- the deferred tax asset associated with deductible temporary differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss);
- where deductible temporary differences are associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future, and taxable profit will be available against which the temporary differences can be utilized.

## Use of estimates

The preparation of the financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the information on contingent assets and liabilities as of the reporting date. Actual results may differ. Estimates are used to value property, plant and equipment and intangible assets tested for impairment and to recognize provisions for doubtful accounts, inventory obsolescence, amortization and depreciation, asset impairment, employee benefits, taxes, and other provisions and reserves. Estimates and assumptions are reviewed on a regular basis and any changes are reflected immediately in profit or loss.

## Related party transactions

Transactions with related parties are discussed in Note 19.

## Seasonal trends

Dada's main operations are not affected by seasonal trends that could influence results for the period.

## Changes in international accounting standards

The accounting standards are the same as those used last year, with the exception of the following new and revised IFRS and IFRIC, effective from 1 January 2010:

IFRS 2 - Share-based payment: group cash-settled share-based payment transactions. Effective from 1 January 2010

IFRS 3 - Business combinations (Revised) and IAS 27 - Consolidated and separate financial statements (Amended). Effective from 1 July 2009 including consequent amendments to IFRS 2, IFRS 5, IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39

IAS 39 - Financial instruments: recognition and measurement; exposures qualifying for hedge accounting. Effective from 1 July 2009

IFRIC 17 - Distributions of non-cash assets to owners

Improvements to IFRS (May 2008)

Improvements to IFRS (April 2009).

The adoption of these standards and interpretations is discussed below.

### **IFRS 2 - Share-based payment (revised)**

The IASB has published an amendment to IFRS 2 that clarifies the scope and accounting of group cash-settled share-based payment transactions. The Group has adopted this amendment from 1 January 2010 but it has had no impact on financial position or performance.

### **IFRS 3 - Business combinations (Revised) and IAS 27 - Consolidated and separate financial statements (Amended)**

IFRS 3 (Revised) makes significant changes to the accounting rules for business combinations. These concern the measurement of non-controlling interests, the recognition of transaction costs, and the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. The changes will affect the amount of goodwill recognized, results for the period in which the business combination takes place, and future results.

IAS 27 (Amended) requires that a change in ownership interest of a subsidiary (without loss of control) be treated as an equity transaction between owners acting in their capacity as owners. Therefore, such transactions will no longer generate goodwill, gains or losses. It also modifies the accounting of losses reported by the subsidiary and loss of control thereof. The changes introduced by IFRS 3 (Revised) and IAS 27 (Amended) concern the acquisition or loss of control of a subsidiary and transactions with non-controlling interests.

The revised and amended standards were applied prospectively and had no material effect on the financial statements.



### **IAS 39 - Financial instruments: recognition and measurement (exposures qualifying for hedge accounting)**

The amendment clarifies that an entity may designate a portion of the fair value changes or cash flows of a financial instrument as a hedged item. It also includes the designation of inflation as a hedged risk or portion of risk under certain circumstances. The Group has determined that this amendment will have no impact on its financial position or performance because it does not use this kind of hedge.

### **IFRIC 17 - Distributions of non-cash assets to owners**

This interpretation explains the accounting treatment of agreements under which an entity distributes non-cash assets to its shareholders as a distribution of reserves or dividends. It has had no impact on the Group's financial position or performance.

### **Improvements to IFRS**

In May 2008 and April 2009 the IASB published a series of improvements to its standards, fundamentally for the purpose of removing inconsistencies and clarifying terminology. Each standard comes with ad hoc transition rules. The adoption of the following changes has affected accounting standards but has had no impact on the Group's performance or financial position.

#### **Issued in May 2008**

IFRS 5 - Non-current assets held for sale and discontinued operations: clarifies that when a subsidiary is classified as held for sale, all of its assets and liabilities are classified as held sale, even if the seller will retain a non-controlling interest in the former subsidiary. The change has been applied prospectively and has had no impact on the Group's financial position or performance.

#### **Issued in April 2009**

IFRS 5 - Non-current assets held for sale and discontinued operations: clarifies that the mandatory disclosures regarding non-current assets and disposal groups classified as held for sale or discontinued operations are only those required by IFRS 5.

IFRS 8 - Operating Segments clarifies that segment assets and liabilities need be reported only where such amounts are regularly provided to the chief operating decision maker. Because the Group's chief operating decision maker does review segment assets and liabilities, the Group has maintained this information in Note 8.

IAS 7 - Statement of cash flows states that only expenditures resulting in the recognition of an asset can be classified as cash flow from investing activities.

IAS 36 - Impairment of assets clarifies that the largest identifiable cash generating unit for allocation of goodwill acquired in a business combination is the operating segment as defined by IFRS 8 before the combination took place for reporting purposes. The change has had no impact on the Group.

Other IFRS improvements concerning the following standards did not affect the Group's accounting policies, financial position or performance:

IFRS 2 - Share-based payments

IAS 1 - Presentation of financial statements

IAS 17 - Leases

IAS 34 - Interim financial reporting

IAS 38 - Intangible assets

IAS 39 - Financial instruments: recognition and measurement  
IFRIC 9 - Reassessment of embedded derivatives

### **Standards awaiting application**

Below is a list of standards to be implemented in the near future and an estimate of their impact on subsequent financial statements.

#### **IFRIC 14 - Prepayments of a minimum funding requirement**

On 15 November 2009 the International Financial Reporting Interpretations Committee (IFRIC) published an amendment to IFRIC 14 - Prepayments of a minimum funding requirement. The amendment is aimed at correcting an unintended consequence of IFRIC 14, by which under given circumstances, an entity subject to minimum funding requirements that makes an early payment of contributions is required to recognize a cost. In cases in which a defined benefit plan is subject to minimum funding requirements, the revised version of IFRIC 14 requires that early payments be treated as assets, just like any other prepayment.

#### **IFRIC 19: Extinguishing financial liabilities with equity instruments**

On 26 November 2009 the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 19 - Extinguishing financial liabilities with equity instruments, which provides guidance as to how the debtor should account for equity instruments issued to extinguish all or part of a financial liability as a result of the renegotiation of terms. The companies will apply IFRIC 19 and the amendment to IFRS 1 from the first financial year beginning on or after 30 June 2010, with earlier application permitted.

#### **IAS 24 - Related party disclosures**

On 4 November 2009 the International Accounting Standards Board (IASB) published a revised version of IAS 24 - Related party disclosures. The new version simplifies the definition of "related party," removes some inconsistencies, and eliminates some related party disclosures for public entities. IAS 24 is applicable from the first financial year beginning on or after 31 December 2010, with earlier application permitted.

## **4. Other income and costs**

### **4.1 Revenue**

Since 1 July 2008, Dada S.p.A. has mainly provided centralized services and corporate services for other companies in the Group. Therefore, most of its revenue consists of charge-backs to subsidiaries, quantified on the basis of contracts.

## 4.2 Payroll costs

The following table breaks down payroll costs in 2010 and 2009:

	2010	2009	Change	% change
Wages and salaries	2,505	2,979	-474	-15.91%
Social security charges	717	709	8	1.13%
Provision for termination indemnities	184	157	27	17.20%
<b>Total</b>	<b>3,406</b>	<b>3,845</b>	<b>-439</b>	<b>-11.42%</b>

The decrease in this item is due to the reorganization and efficiency measures carried out by Dada S.p.A. in 2010.

Employees are hired under the national employment contract for the commercial sector.

The provision for termination indemnities is calculated using the projected unit credit method. See Note 14 for further information.

## 4.3 Other operating expenses

Other operating expenses in 2010 and the previous year are shown in the table below:

	2010	2009	Change	% change
Deductible taxes	-46	-66	20	-30%
Non-deductible taxes	-72	-54	-18	33%
Other non-deductible costs	-72	-63	-9	14%
Other	-111	-62	-49	79%
Non-recurring charges	-256	-154	-102	67%
<b>Total</b>	<b>-557</b>	<b>-399</b>	<b>-158</b>	<b>39%</b>

Non-recurring charges, recognized for €0.3 million, increased with respect to the €0.2 million reported in 2009. They cover all extraordinary charges, most notably the review and settlement of contractual disputes arising from extraordinary operations, which were prevalent during the year.

## 4.4 Non-recurring income/charges

Non-recurring charges in 2010 and 2009 are shown below:

	2010	2009	Change
Other operating expenses	-256	-154	-102
<b>Total</b>	<b>256</b>	<b>154</b>	<b>-102</b>

These are extraordinary expenses that were prevalent in 2010 (compared with €0.2 million the previous year). They represent penalties for contract settlements relating to extraordinary operations, which are recognized in the income statement under other operating expenses.

There was no non-recurring income in 2010.

## 4.5 Provisions and impairment losses

The following table presents provisions and impairment losses in 2010 and the previous year:

	2010	2009	Change	% change
Impairment losses on receivables	83	45	38	
Other impairment losses	3,502	183	3,319	1813.66%
<b>Total</b>	<b>3,585</b>	<b>228</b>	<b>3,357</b>	<b>1472.37%</b>

For further information on impairment losses on receivables, see Note 16. "Other impairment losses" include €0.3 million in non-recurring charges for legal disputes relating to extraordinary operations, and the writedown of the put option on Sony's 13% interest in Dada.net S.p.A. to reflect the results of the discounted cash flow method, carried out as part of impairment testing for the consolidated accounts in relation to the CGUs pertaining to Dada.net.

## 4.6 Depreciation and amortization

The following table breaks down depreciation and amortization in 2010 and 2009:

	2010	2009	Change	% change
Depreciation	374	346	28	8.09%
Amortization of development costs	1,514	1,778	-264	-14.85%
Amortization of patents and trademarks	78	132	-54	-40.91%
Amortization of other intangible assets	297	197	100	50.76%
<b>Total</b>	<b>2,264</b>	<b>2,454</b>	<b>-190</b>	<b>-7.74%</b>

This item decreased across all categories of asset. The trend is explained by the reorganization described in the directors' report, as a result of which investments (and therefore depreciation and amortization) pertain directly to the subsidiaries.

## 4.7 Financial income and charges

Financial income in 2010 and the previous year are shown in the table below:

	2010	2009	Change	% change
Interest on bank and postal accounts	0	22	-22	-100.00%
Interest income on intercompany loans	9	113	-104	-92.04%
Interest income on intercompany cash pooling	54	8	46	575.00%
Dividends from subsidiary companies	6	0	6	
<b>Total</b>	<b>69</b>	<b>143</b>	<b>-74</b>	<b>-51.75%</b>

Financial income consists of interest accrued on bank accounts and interest accrued on cash pooling accounts with other Group companies. Both of these showed a decrease with respect to the previous year, due to the trend in interest rates and the lower volumes contributed by the subsidiaries taking part in cash pooling arrangements with Dada S.p.A.

There were no exchange gains in 2010.

Financial charges are shown below:

	2010	2009	Change	% change
Interest on account overdrafts	-77	0	-77	
Interest expense on intercompany cash pooling	-108	-188	80	-42.55%
Other interest expense	-21	0	-21	
Bank charges and fees	-48	-59	11	-18.64%
Exchange gains (losses)	-1	-78	77	-98.72%
<b>Total</b>	<b>-255</b>	<b>-325</b>	<b>70</b>	<b>-21.54%</b>

Other interest expense refers to charge-backs by Group companies as a result of centralized treasury management (cash pooling).

Exchange losses arose from the transaction of certain trade payables/receivables and decreased with respect to last year.

## 4.8 Financial Risks

The main risks the Company faces are described below.

### *Financial risks*

The Company does not currently use derivatives to manage interest rate risk.

Dada S.p.A. has limited exposure to credit risk, as most of its receivables are due from Group companies. Interest rate risk, liquidity risk and price risk are insignificant.

### *Credit risk*

Exposure to credit risk is related to trade and financial receivables. Trade receivables arise solely from intercompany transactions with subsidiaries.

As for financial receivables, liquidity is invested exclusively with banks of high standing.

### *Interest rate and liquidity risk*

Dada S.p.A.'s exposure to the risk of fluctuations in market rates arises from occasional bank account overdrafts at variable rates (payable on demand) and short-term, floating-rate loans for which no hedge agreements are in force.

Liquidity risk is managed by investing available funds in positions that can be easily liquidated. To optimize use of the Group's liquidity, the parent company Dada S.p.A. has a cash pooling agreement with its subsidiaries Register.it S.p.A., Dada.net S.p.A. and Fueps S.p.A. Register.it also has a cash pooling agreement with the French subsidiary Amen SA and Dada.net with the Spanish subsidiary Dada Iberia SL. The use of short-term facilities generally accounts for a minimal portion of invested capital.

### *Price risk*

The Company is not exposed to significant price volatility risk.

## 5. Taxes

The table below shows taxes in 2010 and the previous year:

	2010	2009	Change	% change
IRAP (regional business tax)	0	0	0	
IRES (corporate income tax)	0	0	0	
Prior-year current taxes	10	43	-33	-77%
Other tax costs	75	-75	150	-200%
Deferred tax assets	2,357	787	1,570	199%
Deferred tax liabilities	0	0	0	
<b>Total</b>	<b>2,442</b>	<b>755</b>	<b>1,687</b>	<b>223%</b>

Movements during the year in deferred tax assets and liabilities were as follows:

	31/12/09	Increase for the year	Utilizations for the year	Other movements	31/12/10
Deferred tax assets	1,543	2,378	-21	-152	3,748
<b>Total</b>	<b>1,543</b>	<b>2,378</b>	<b>-21</b>	<b>-152</b>	<b>3,748</b>

Deferred tax assets (recognized for €3.7 million) originate from temporary differences recoverable in the short term, relating to the future deductibility of provisions for doubtful accounts and provisions for risks and charges, and to all other adjustments for tax purposes that will be recovered in subsequent years. Account was also taken of the partial recovery of tax losses included in the consolidation by way of the profits earned by other Group companies.

More specifically, to calculate the recoverability of tax losses—considering also the tax consolidation scheme involving the Parent Company and its Italian subsidiaries—the Group used a time horizon allowing it to estimate taxable income based in particular on the forecasts for 2011-2013 approved by Dada S.p.A.'s Board of Directors on 2 December 2010 and by the boards of its subsidiaries, and on the extrapolation of economic and financial projections for 2014 and 2015, whose assumptions were shared by the directors.

Tax losses that can be carried forward to subsequent years amount to €13 million, while those on which deferred tax assets have been computed come to €10.7 million.

The following table reconciles the actual and theoretical tax charge:

<b>RECONCILIATION BETWEEN TAX CHARGE SHOWN IN THE FINANCIAL STATEMENTS AND THEORETICAL TAX CHARGE: 2010</b>	
<b>(in € / 000)</b>	
	<b>2010</b>
<b>Pre-tax profit</b>	-15.592
<b>Theoretical tax charge</b>	-4.288
<b>Permanent differences</b>	1.912
<b>Temporary differences</b>	8.695
<b>Taxable income</b>	-4.985
<b>Adjustment/reinstatement of tax losses</b>	4.985
<b>IRES</b>	0
<b>Prior-year taxes</b>	-10
<b>Other tax costs</b>	-75
<b>IRAP</b>	0
<b>Current taxes</b>	-85



Deferred tax assets are broken down below:

	IRES		IRES	
	2010		2009	
	Amount of temporary differences	Tax effect (at 27.5%)	Amount of temporary differences	Tax effect (at 27.5%)
<b>Deferred tax assets:</b>				
<i>Entertainment costs</i>	16	4	43	12
<i>Taxed provision for doubtful accounts</i>	1,309	360	1,271	350
<i>Provision for risks and charges</i>	332	91	186	51
<i>Non-current assets</i>	1,426	392	547	150
<i>Other temporary differences</i>	248	68	564	155
<b>Total</b>	<b>3,331</b>	<b>916</b>	<b>2,611</b>	<b>718</b>
Prior- and current-year tax losses transferred to the tax consolidation scheme on which deferred tax assets have been calculated	<b>10,183</b>	<b>2,800</b>	<b>2,867</b>	<b>788</b>
<b>Net</b>	<b>13,514</b>	<b>3,716</b>	<b>5,478</b>	<b>1,506</b>

	IRAP		IRAP	
	2010		2009	
	Amount of temporary differences	Tax effect (at 3.9%)	Amount of temporary differences	Tax effect (at 3.9%)
<b>Deferred tax assets:</b>				
<i>On deferred costs</i>	826	32	933	36
<b>Net</b>	<b>826</b>	<b>32</b>	<b>933</b>	<b>36</b>

<b>Total deferred tax assets (IRES+IRAP)</b>	<b>4,340</b>	<b>3,748</b>	<b>6,411</b>	<b>1,543</b>
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Dada S.p.A. serves as the consolidating company for the Italian tax consolidation scheme, which includes the subsidiaries Dada.net S.p.A., Clarence S.r.l., Register.it S.p.A. and Fueps.

## 6. Intangible assets

Movements in property, plant and equipment are reported below:

	Balance at 31/12/09	Increases	Decreases	Other movements	Amortiza tion	Balance at 31/12/10
Goodwill	1.704	0	0	-805	0	899
<b>Total goodwill</b>	<b>1.704</b>	<b>0</b>	<b>0</b>	<b>-805</b>	<b>0</b>	<b>899</b>
Product/service development costs	2.683	0	0	0	-1.514	1.169
Concessions, licenses and brands	88	0	0	0	-78	10
Other	752	447	0	117	-297	1.019
Assets under development and advances	117	0	0	-117	0	0
<b>Total intangible assets</b>	<b>3.640</b>	<b>447</b>	<b>0</b>	<b>0</b>	<b>-1.889</b>	<b>2.198</b>
<b>Total</b>	<b>5.344</b>	<b>447</b>	<b>0</b>	<b>-805</b>	<b>-1.889</b>	<b>3.097</b>

Due to the reorganization described above, the Company no longer engages in product and process development, which are carried out directly by the operating subsidiaries Dada.net S.p.A. and Register.it S.p.A.

The heading "Other" consists mainly of software, which is amortized on a straight-line basis over five years. Increases refer primarily to the purchase of business software.

Other movements cover the reclassification of goodwill on the Tropic operations to assets held for sale.

For the previous year, assets under development and advances refer to projects launched late in 2009 that entered production in 2010. There was no such work in progress at the close of the year.

## 7. Plant and machinery

Movements in property, plant and equipment are reported below:

	Balance at 31/12/09	Increases	Decreases	Other movements	Depreciation	Balance at 31/12/10
Plant and EDP machines	630	413	0	0	-280	763
Furniture and fittings	464	20	0	0	-82	402
Other	29	8	0	0	-12	25
<b>Total</b>	<b>1,123</b>	<b>441</b>	<b>0</b>	<b>0</b>	<b>-374</b>	<b>1,190</b>

Most of the increase for the year was generated by the purchase of hardware and servers used in the Group's operations.

The increase in furniture and fittings concerns expenditure for the head office in Florence.

## 8. Equity investments

The following table shows movements in equity investments since 31 December 2009:

	31/12/09	Increase	Decrease	Adjustments in value	Other movements	31/12/10
Equity investments in subsidiaries	51,517	5,586		-7,343	-2,460	47,300
<b>Total equity investments in subsidiaries</b>	<b>51,517</b>	<b>5,586</b>	<b>0</b>	<b>-7,343</b>	<b>-2,460</b>	<b>47,300</b>
Loans to subsidiaries	3,500	200	-3,500			200
Security deposits	100					100
<b>Total financial assets</b>	<b>3,600</b>	<b>200</b>	<b>-3,500</b>	<b>0</b>	<b>0</b>	<b>300</b>
<b>Total</b>	<b>55,117</b>	<b>5,786</b>	<b>-3,500</b>	<b>-7,343</b>	<b>-2,460</b>	<b>47,600</b>

Increases in equity investments are due to:

- the recapitalization of Fueps S.p.A. to cover its losses for the year (€5.6 million).

Adjustments in value represent impairment losses for the following subsidiaries:

- Fueps, due to the recapitalization mentioned above and to the outcome of impairment testing, for a total of €7,207 thousand;

- Ebox, due to the recapitalization for the coverage of losses in 2010 (€136 thousand).

"Other movements" include the reclassification of the investment in Ebox to assets held for sale.

The amounts of impairment losses are detailed in the table reported below.

The decrease in loans to subsidiaries concerns the repayment of the loan granted to Dada USA Inc. (merged in March 2010 into Upoc Inc., which changed its name to Dada Entertainment Inc.), while the increase of €200 thousand refers to a new loan to Giglio Group S.p.A.

"Other movements" cover the earn-out for the acquisition of Fueps, which was derecognized during the year.

Movements in equity investments in subsidiaries are summarized below:

*in EUR/000*

Name	Balance at 31/12/09	Increase	Adjustments in value	Assets held for sale	Other movements	Balance at 31/12/10	% held
Register.it S.p.A.	28.240	0	0		0	28.240	100%
Dada Net S.p.A.	18.332	0	0		0	18.332	87%
E-Box S.r.l.	1.600	136	-136	-1.600		0	40%
Fueps	3.345	5.450	-7.207		-860	728	100%
<b>Total</b>	<b>51.517</b>	<b>5.586</b>	<b>-7.343</b>	<b>-1.600</b>	<b>-860</b>	<b>47.300</b>	

As required by the accounting standards, the equity investments held by Dada S.p.A. have been tested for impairment. Impairment testing is carried out once a year upon preparation of the consolidated financial statements. The recoverable amount of the investments has been verified by determining value in use on the basis of discounted cash flow. The amounts recognized have been confirmed by impairment tests, except for the investment in E-Box, which has been reclassified to assets held for sale.

The following table shows the main assumptions used in impairment testing:

<b>Basic assumptions:</b>	<b>Register.it</b>	<b>Other Net</b>	<b>US operations</b>
Horizon	5 years	5 years	5 years
<b>Growth rate:</b>			
Revenue	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD	2010 actual results approved by each company's BoD. 2011 figures and 2012-2013 plan according to BoD-approved budget and plan; 2014-2015 extrapolated from the best available information on the business and reviewed by each company's BoD
EBITDA	Above considerations apply.	Above considerations apply.	Above considerations apply.
Growth rate beyond horizon	0%	0%	0%

As mentioned earlier, in February Dada S.p.A. sold its investment in Ebox S.r.l., which was therefore not subject to impairment testing.

As for Fueps (active in the casual and skill games market), in 2010 the development plans for this business were significantly revised in light of growth problems, and the investment was written down by €7.2 million. The valuation of Register.it involved assumptions based on average growth rates in the domain & hosting business in previous years, as well as other specific factors. Because the market is extremely fragmented, management believes that growth in this business is influenced mainly by the effectiveness of the strategies implemented.

For the online advertising business, the plans developed for impairment testing took account of the benefits relating to the Simply project and to scalable advertising.

Further information is provided in the consolidated financial statements.

The following comments apply to the "Other Net" CGU:

Growth rates were forecast on the basis of internal assumptions (by product and by distribution market) made by the division's managers. The assumptions were built from currently available information.

More specifically, for the VAS market the strategy involves maintaining Dada's competitive position in traditional countries and building up its local presence in countries with growth potential.

The music business, which has operated at a loss since its introduction in April 2008, will be suspended starting in 2012 under a plan of action consistent with the budget. As a result, the main contracts for the purchase of content are not expected to be renewed or renegotiated.

The discount rate is calculated gross of taxes. It respects the operations performed by each CGU, while also taking account of the trend in market rates and in the overall macroeconomic scenario. The rates employed were as follows:

Cash generating unit	WACC (post-tax)
Register.it	7.62%
Other Net	8.88%
US Operations	6.10%

The impairment test conducted at 31 December 2010 confirmed that there is no need to adjust the values recognized in the financial statements for the investment in Register.it S.p.A. For the investment in Dada.net, the Company's share of equity is greater than carrying value.

## 9. Trade and other receivables

The following table breaks down receivables at the end of 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Due from customers: Italy	1,945	2,737	-792	-29%
Trade receivables due from subsidiaries	2,718	7,313	-4,595	-63%
Financial receivables due from subsidiaries	26,572	17,458	9,114	52%
Trade receivables due from parents	0	0	0	
Financial receivables due from parents	0	0	0	
Other related party receivables	0	0	0	
Less: provision for doubtful accounts	-1,653	-1,592	-61	4%
<b>Total</b>	<b>29,582</b>	<b>25,916</b>	<b>3,666</b>	<b>14%</b>

Trade receivables are due mainly from subsidiaries; in 2010 the trend was influenced by the decision to focus on limiting structural costs which resulted in a decrease in charge-backs to subsidiaries.

Movements in the provision for doubtful accounts are shown in the following table:

	Balance at 31/12/09	Increase for the year	Utilizations for the year	Other movements	Balance at 31/12/10
Provision for doubtful accounts	1,592	83	-22		1,653
<b>Total</b>	<b>1,592</b>	<b>83</b>	<b>-22</b>	<b>0</b>	<b>1,653</b>

At 31 December 2010, the provision was sufficient to cover potential losses on all trade receivables. The writedowns were charged on receivables overdue by more than one year when the Company still did business with third parties, and not exclusively within the Group, as is now the case.

There are no trade receivables due beyond one year that would require an assessment of financial loss.

The Company estimates that the carrying value of trade and other receivables approximates their fair value.

No receivables have a residual maturity of longer than five years.

Information on receivables due from subsidiaries is provided in the section on related party transactions.

The following table shows "Other receivables" at 31 December 2010 and the previous year:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Tax receivables	366	1,002	-636	-63%
Advances paid to suppliers	0	0	0	
Other	186	313	-127	-41%
Prepayments	123	132	-9	-7%
<b>Total</b>	<b>675</b>	<b>1,447</b>	<b>-772</b>	<b>-53%</b>

Prepayments include the year's share of telephone line charges and other costs pertaining to 2010 and 2011.

"Other" includes down payments and other credits.

Tax receivables cover IRAP advances, tax withheld and other tax credits, mostly resulting from the latest tax return.

## 10. Cash and cash equivalents

The table below presents cash and cash equivalents at the close of 2010 and 2009:

	Balance at 31/12/10	Balance at 31/12/09	Change	% change
Bank and post office deposits	8	2,020	-2,012	-99.60%
Cash and valuables on hand	5	6	-1	-16.67%
<b>Total</b>	<b>13</b>	<b>2,026</b>	<b>-2,013</b>	<b>-99.36%</b>

The total represents cash and cash equivalents at 31 December 2010.

The interest earned on Italian bank deposits, most of them held at two banks, is the one-month Euribor minus 0.3-0.5%.

This item is influenced by the trend in costs and income; see the directors' report for further information.

## 11. Share capital and reserves

At 31 December 2010, Dada S.p.A.'s share capital was comprised of 16,097,079 ordinary shares with a par value of €0.17 each, for a total of €2,756 thousand.

Movements in equity items are reported on page 84.

	Amount	Eligibility for use	Amount available	Utilizations in the last three years	
				for loss coverage	for other reasons
Share capital	2,756				
Capital reserves:					
Share premium reserve	32,070	A-B-C	32,070	0	
Extraordinary reserve	12,544	A-B-C	12,544		
IAS reserve	6,566				
Profit reserves:					
Legal reserve	950	B	950		
<b>Total</b>			<b>45,564</b>		
<b>Non-distributable portion</b>			<b>551</b>		
<b>Remaining amount distributable</b>			<b>45,013</b>		

**\*Eligibility for use:**

**Key:**

A: for capital increases

B: for loss coverage

C: for dividends



*Legal reserve:* this is a profit reserve built through allocation of the net profit for the year. It can only be used in the amount exceeding one fifth of the share capital.

At 31 December 2010 it had a balance of €950 thousand. There was no change on the previous year, because 2009 closed with a loss.

*Share premium reserve:* this is a capital reserve generated by contributions from shareholders or the conversion of bonds into shares. There is no specific limit on its use. At 31 December 2010 it had a balance of €32,070 thousand. There were no increases during the year.

*Other reserves:* these consist of the reserve for first-time adoption of IFRS and the extraordinary reserve. The extraordinary reserve has a balance of €12,544 thousand; there were no changes since the previous year. The IFRS reserve amounts to €6,108 thousand, with changes during the year relating to the recognition of stock options.

## 12. Provisions for risks and charges

Provisions showed the following movements in 2010:

	Balance at 31/12/09	Increase for the year	Utilizations for the year	Other movements	Balance at 31/12/10
Provisions for risks and charges	186	3,502	-110		3,578
<b>Total</b>	<b>186</b>	<b>3,502</b>	<b>-110</b>	<b>0</b>	<b>3,578</b>

The increase on the previous year is due primarily to €3.2 million for the adjustment in the value of the put option on Sony's 13% interest in Dada.net S.p.A. to reflect the results of the discounted cash flow method, carried out as part of impairment testing for the consolidated accounts in relation to the CGUs pertaining to Dada.net.

The rest of the increase covers probable liabilities from pending contractual and legal disputes. Utilizations refer to disputes settled during the year. Increases relate to new disputes that arose in 2010, and the revision of estimates made in previous years due to developments in ongoing litigation.

No detailed information is given on the specific positions covered, in order not to prejudice the outcome of proceedings.

## 13. Stock options

Below are the key features of the plans in effect at 31 December 2010:

	Plan of 16/03/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Term	2007-2009	2009-2012	2009-2012	2009-2015	2009-2015
Total options on issue date	33,000	55,000	25,000	410,000	50,000
Total remaining options at 31/12/09	0	50,000	0	380,000	50,000
Issue price	15.47	16.92	16.99	6.05	6.875

The Dada Group's stock option plans undergo actuarial valuation by an independent actuary. The following table presents the data used for the valuation of each of the six plans outstanding:

Data used for valuation	Plan of 16/03/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Valuation date	Grant date	Grant date	Grant date	Grant date	Grant date
Model used	Binomial	Binomial	Binomial	Binomial	Binomial
Annual exit rate	5%	5%	5%	5%	5%
Expected volatility	31-36%	29.07%	29.07%	29.07%	37.30%

Data used for valuation	Plan of 16/03/06	Plan of 28/07/06	Plan of 12/02/07	Plan of 24/02/09	Plan of 08/10/09
Risk-free interest rate	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve	Zero coupon on spot rate curve
Estimated dividends	zero	zero	zero	zero	zero
Vesting conditions	none	90% EBITDA 2008	90% EBITDA 2008	88.5% EBITDA 2009/2010 /2011	88.5% EBITDA 2009/2010 /2011

Expected volatility reflects the assumption that historical volatility is indicative of future trends, although actual outcomes may differ.

The fair value of the plans is measured as of the grant date. See the directors' report for a detailed description of each plan.

The valuation of stock options in accordance with IFRS 2 has had no impact on this item, because the plans currently in force involve non-market vesting conditions tied to company performance that are not expected to be met.

## 14. Retirement and other post-employment benefits

Movements in the provision for employee termination indemnities are shown in the table below:

	Balance at 31/12/09	Increase for the year	Utilizations for the year	Other movements	Interest expense on discounting	Balance at 31/12/10
Provision for termination indemnities	219	184	-23	-170	15	225
<b>Total</b>	<b>219</b>	<b>184</b>	<b>-23</b>	<b>-170</b>	<b>15</b>	<b>225</b>

The provision for termination indemnities (*trattamento di fine rapporto* or TFR) amounted to €0.2 million at the close of the year, and covers the liability accrued to all employees in accordance with the law and the collective employment contract.

"Other movements" refer to the payment to INPS (Italian Social Security) of the TFR accrued in 2010 that was included in the increase for the year, as well as benefits paid to employees who left service during the year.

As required by international accounting standards, the liability was determined using the Projected Unit Credit method, which treats every period of employment as the source of an additional unit of benefits and measures each unit separately when calculating the total obligation.

In accordance with Finance Act no. 296 of 27 December 2006, for the purposes of IAS 19 only the liability for accrued TFR remaining with the company was considered, as the amount accruing later is paid to a separate entity.

This calculation was performed by an independent actuary using the following method:

- projection for each employee on the payroll at 31 December 2010 of the TFR accrued until estimated retirement age;
- computation, for each employee on the payroll at 31 December 2010 and for each year until estimated retirement age, of the probable TFR benefits the Company will have to pay in case of dismissal, requests for advances, voluntary resignation, death or retirement;
- discounting of each probable payment to present value;

- reportioning for each employee of the probable, discounted benefit payments on the basis of seniority on the valuation date with respect to seniority on the date each payment is made.

Specifically, the following assumptions were used:

VALUATION DATE	31/12/10
Mortality table	SIM/F 1998
Reduction rate	20.00%
Advance request rate: Executives	1.00%
Advance request rate: Middle management	0.50%
Advance request rate: White collar	1.00%
Advance request rate: Trainees	0.00%
Future inflation rate	2.10%
Discount rate	4.10%
Leaving rate: Executives	0.50%
Leaving rate: Middle management	0.50%
Leaving rate: White collar	4.00%
Leaving rate: Trainees	0.50%

## 15. Trade and other payables

The following table shows trade payables and other payables at 31 December 2010 and the previous year:

	31/12/10	31/12/09	Change	% change
<b>Payables:</b>				
due to banks	10,173	0	10,173	
<b>Due to banks within one year</b>	<b>10,173</b>	<b>0</b>	<b>10,173</b>	
due to suppliers	4,029	16,192	-12,163	-75.12%
trade payables with subsidiaries	117	-8,905	9,022	-101.31%
financial payables with subsidiaries	29,190	29,190	0	0.00%
trade payables to parents	-410	0	-410	
financial payables to parents	380	0	380	
due to other related parties			0	
<b>Trade payables</b>	<b>33,306</b>	<b>36,477</b>	<b>-3,171</b>	<b>-8.69%</b>
Taxes	67	107	-40	-37.38%
<b>Taxes payable</b>	<b>67</b>	<b>107</b>	<b>-40</b>	<b>-37.38%</b>
other	449	1,923	-1,474	-76.65%
due to social security institutions	171	155	16	10.32%
deferred income	41	0	41	
<b>Other payables</b>	<b>661</b>	<b>2,078</b>	<b>-1,417</b>	<b>1,322</b>
<b>Total</b>	<b>44,207</b>	<b>38,662</b>	<b>5,545</b>	<b>14.34%</b>

The heading "due to banks" includes:

- the €3 million credit facility opened on 28 July 2010 with a major bank to fund current operations, charging interest at the one-month Euribor plus 1.6%;
- account overdrafts of €7 million due to changes in the net financial position.

Trade payables are amounts due for purchases of a commercial nature and other types of cost. The company estimates that the carrying value of trade and other payables approximates their fair value.

Payables due to other related parties refer to commercial transactions with companies in the RCS Group, excluding those with RCS MediaGroup S.p.A., which are classified under "financial payables to parents."

Financial payables to subsidiaries have arisen from the Group's cash pooling arrangement. They charge interest at market rates.

Taxes payable (€67 thousand) include withholding tax on salaries and consulting fees for the month of June, as well as current tax liabilities for the year, consisting mostly of IRAP (regional business tax).

"Other" refers to:

- bonus salaries due to employees ("*quattordicesima*") and pay in lieu of holiday.

## 16. Commitments and risks

The table below shows commitments and risks at the end of 2010 and the previous year:

	Balance at 31/12/09	Increases	Decreases	Other movements	Balance at 31/12/10
Guarantees	41,059	36,891	33,857	300	44,393
<b>Total</b>	<b>41,059</b>	<b>36,891</b>	<b>33,857</b>	<b>300</b>	<b>44,393</b>

Guarantees given amounted to €44.4 million at the close of the year (€41 million at 31 December 2009), an increase of €3.2 million, and are recognized for the amount guaranteed.

The following table shows movements in guarantees during the year:

	Balance at 31/12/09	Balance at 31/12/10	Change	% change
Guarantees	41,059	44,393	3,334	8%
<b>Total</b>	<b>41,059</b>	<b>44,393</b>	<b>3,334</b>	

Guarantees consist mainly of warrants to grant credit issued on behalf of subsidiaries for the purposes of obtaining loans.

## 17. Compensation of directors and statutory auditors

Person Name	Position			Compensation			Other compensa- -tion
	Office held	Period covered	End of term (*)	Emoluments	Benefits in kind (**)	Bonuses and other incentives (***)	
<b>BOARD OF DIRECTORS</b>							
<b>Directors in office</b>							
Paolo Barberis (1)	Chairman	01.01.10 - 31.12.10	31.12.11	362,800	6,078	-	
Barbara Poggiali (2)	Chief Executive Officer and Chief Operating Officer	01.01.10 - 31.12.10	31.12.11	2,800	62,578	-	300,000
Lorenzo Lepri (3)	Director and Deputy Chief Operating Officer	01.01.10 - 31.12.10	31.12.11	2,800	22,675	-	252,100
Salvatore Amato	Director	01.01.10 - 31.12.10	31.12.11	12,800			
Danilo Vivarelli	Director	01.01.10 - 31.12.10	31.12.11	12,800			
Riccardo Stilli	Director	01.01.10 - 31.12.10	31.12.11	11,400			
Monica Alessandra Possa	Director	01.01.10 - 31.12.10	31.12.11	12,100			
Giorgio Cogliati	Director	01.01.10 - 31.12.10	31.12.11	11,400			
Vincenzo Russi	Director	01.01.10 - 31.12.10	31.12.11	12,450			
Alberto Bigliardi	Director	01.01.10 - 31.12.10	31.12.11	12,450			
Matteo Novello	Director	01.01.10 - 31.12.10	31.12.11	11,225			
Claudio Cappon (4)	Director	01.01.10 - 31.12.10	31.12.11	11,225			
Alessandro Foti	Director	01.01.10 - 31.12.09	31.12.11	12,800			
Stanislao Chimenti Caracciolo di Nicastro (5)	Director	08.11.10 - 31.12.10	Next AGM	2,191			
<b>Directors no longer in office</b>							
Giorgio Valerio (6)	Director	01.01.10 - 25.03.10	25.03.10	2,674			

(\*) Term expires with the AGM held to approve the financial statements for the year ended on the specified date

(\*\*) Fringe benefits (at recognized tax values).

(\*\*\*) The targets set for MBO incentive programs were not met in 2010.

1. Fixed annual emoluments for the chairman of the board amount to €360,000 plus attendance fees. In 2010 the chairman received €135,625 in MBO incentives for the year 2009.  
On 11 February 2011, Paolo Barberis resigned from his position as director and chairman of the board, effective immediately. He signed an agreement of termination by mutual consent against payment of €616,666 gross of taxes, and a non-compete/non-solicitation agreement against payment of €720,000 gross of taxes. Those amounts were paid upon signature of the agreements mentioned.
2. In 2010, MBO incentives for the year 2009 were paid in the amount of €130,000.
3. In 2010, MBO incentives for the year 2009 were paid in the amount of €68,800.
4. Co-opted by the Board of Directors following the resignation of Paolo Aurelio Gatti on 27 July 2009; confirmed by the AGM of 22 April 2010.
5. Co-opted by the Board of Directors on 8 November 2010 to replace outgoing director Giorgio Valerio.
6. Resigned on 25 March 2010.

Person		Position			Compensation		
Name	Office held	Period covered	End of term	Emoluments (*)	Bonuses	Other	
<b>BOARD OF STATUTORY AUDITORS</b>							
<b>Statutory auditors in office</b>							
Silvio Martini Bianchi	Chairman	01.01.10 - 31.12.10	31.12.11	18,000			
Cesare Piovone Porto Godi	Standing Auditor	01.01.10 - 31.12.10	31.12.11	12,000			
Claudio Pastori	Standing Auditor	01.01.10 - 31.12.10	31.12.11	12,000		5,000 (**)	

(\*) The Annual General Meeting of 23 April 2009 approved annual emoluments of €18,000 for the chairman of the Board of Statutory Auditors and €12,000 for standing auditors, plus allowances as contemplated and governed by the professional rate schedule for chartered accountants.

(\*\*) For the position of chairman of the Board of Statutory Auditors of Fueps S.p.A.



## 18. Related party transactions

Transactions with related parties fall within the normal scope of operations and are carried out at arm's length.

The Company engages in commercial transactions consisting of the purchase and sale of services, with subsidiaries and with members of RCS MediaGroup, which at 31 December 2010 owned 50.7% of Dada S.p.A. The following table indicates the assets, liabilities, costs and income between Dada S.p.A., companies in the Dada Group, and other related parties.

Most transactions between Dada S.p.A. and RCS MediaGroup (the key shareholder) with the latter's subsidiaries and associates originate from:

- - contracts for the provision of business-related services;
- - financial interactions via an intercompany current account.

Dada S.p.A.'s transactions with its own subsidiaries (direct and indirect) concern:

- - corporate services: legal, administrative, taxation, purchasing, etc.
- - centralized treasury management (cash pooling).

Company	Trade receivables	Other receivables	Total receivables
DadaNet S.p.A.	1,138	5,656	6,794
Dada Ent Inc*	- 7		- 7
Dada Iberia SL	- 16		- 16
Dada Brasil Serviços de Tecnologia Ltda	95		95
Dada Media Science and Development (Beijing) Co. LTD	116		116
Register.it S.p.A.	559	19,718	20,277
Nominalia SL	226		226
Namesco Ltd	370		370
E-Box S.p.A.	51	658	710
Fueps S.r.l.	187	539	726
<b>Total</b>	<b>2,718</b>	<b>26,572</b>	<b>29,290</b>
RCS Group			0
<b>Total</b>	<b>2,718</b>	<b>26,572</b>	<b>29,290</b>

\* Surviving company from the reverse merger of Dada Ent. LLC and Dada USA Inc. into Upoc, which changed its name to Dada Ent. Inc.

**Related party payables**  
(in EUR/thousand)

Company	Trade payables	Other payables	Total trade payables
DadaNet S.p.A.	57	25,957	26,014
Clarence S.r.l.	2	632	635
Register.it S.p.A.	52	488	540
Fueps S.r.l.	6	2,113	2,119
<b>Total</b>	<b>117</b>	<b>29,191</b>	<b>29,308</b>
RCS Group	410	380	790
<b>Total</b>	<b>527</b>	<b>29,571</b>	<b>30,097</b>

Intercompany transactions mainly consist of the provision of services, the lending and borrowing of funds, and tax pooling arrangements (Group-wide VAT and tax consolidation) and take place at arm's-length. The parent company Dada S.p.A. acts as centralized treasury for the main Group companies.

In accordance with IAS 24 and the new related party procedure, related parties include the directors of the Parent Company as well as executives with strategic responsibilities. The following table presents their total remuneration, in the various forms in which it was paid, in 2010 and 2009.

	2010		2009	
	Cost of services	Payroll costs	Cost of services	Payroll costs
<b>Compensation of directors:</b>				
- Emoluments	488	6	440	6
- Bonuses and other incentives	-	-	125	223
- Benefits in kind	6	85	6	103
- Other compensation	-	552	-	550
- Share-based payments			105	99
<b>Subtotal</b>	<b>494</b>	<b>643</b>	<b>677</b>	<b>981</b>
Board of Statutory Auditors	47		91	
<b>Total related parties</b>	<b>541</b>	<b>643</b>	<b>768</b>	<b>981</b>

## 19. Information pursuant to Art. 149-duodecies of the Consob Listing Rules

The following chart, prepared in accordance with Art. 149-duodecies of the Consob Listing Rules, shows the fees pertaining to 2010 for external auditing and for services other than auditing rendered by the accounting firm or by entities in its network.

Type of service	Service provider	Recipient	Fees pertaining to 2010 (EUR/000)
Auditing	Reconta Ernst & Young S.p.A.	Parent	218
Certification services	Reconta Ernst & Young S.p.A.	Parent	130
Other services	Reconta Ernst & Young S.p.A (1)	Parent	207
<b>Total</b>			<b>555</b>

(1) Other services consist of €130 thousand for methodological support and assistance during the testing phase of the controls performed in compliance with Art. 154 *bis* of the Consolidated Finance Act; €60 thousand for enterprise risk management consulting; €147 thousand for due diligence on a third-party company concerning a potential extraordinary operation (not realized).

## 20. Disclosures pursuant to IFRS 7: Dada S.p.A

The disclosures required by IFRS 7 are provided below.

### Classification of financial instruments

IFRS 7 requires disclosures on available-for-sale financial assets measured at fair value, held-to-maturity investments, loans and receivables, financial liabilities measured at fair value, and liabilities measured at amortized cost. Details for Dada S.p.A. are reported below:

	Available-for-sale financial assets/liabilities		Loans and receivables		Total		of which: current		of which: non-current	
	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009	Dec. 2010	Dec. 2009
<b>ASSETS</b>										
- Cash and cash equivalents			13	2,026	13	5,309	13	5,309		
- Financial assets			100	100	100	100			100	100
- Intercompany financial assets			25,718	6,783	25,718	3,500	25,718	3,500		
- Trade receivables - third parties			292	1,146	292	1,146	292	1,146		
- Trade receivables - intercompany			2,718	7,313	2,718	7,313	2,718	7,313		
- Other receivables			309	228	309	228	309	228		
<b>Total financial assets</b>			<b>29,150</b>	<b>17,596</b>	<b>29,150</b>	<b>17,596</b>	<b>29,050</b>	<b>17,496</b>	<b>100</b>	<b>100</b>
<b>LIABILITIES</b>										
- Bank account overdrafts and other financial payables			7,553		7,553	-	7,553			
- Loans and borrowing			3,000		3,000	-	3,000			
- Intercompany financial liabilities			29,122	19,745	29,122	19,745	29,122	19,745		
- Trade payables - third parties			3,618	3,044	3,618	3,044	3,618	3,044		
- Trade payables - intercompany			117	95	117	95	117	95		
- Other payables			8,490	9,922	8,490	9,922	8,490	9,922		
<b>Total financial liabilities</b>			<b>44,347</b>	<b>32,806</b>	<b>44,347</b>	<b>32,806</b>	<b>44,347</b>	<b>32,806</b>	<b>-</b>	<b>-</b>

- Dada S.p.A. has no available-for-sale assets or liabilities measured at fair value.
- In the "Loans and receivables" class, financial assets include security deposits/collateral in the amount of €100 thousand that are due beyond one year.

- In the "Loans and receivables" class, intercompany financial assets include €25,518 thousand in cash pooling receivables and a loan of €200 thousand granted to Giglio Group.
- In the "Loans and receivables" class, trade receivables have been entered net of the provision for doubtful accounts, and amount to €292 thousand with third parties and €2,718 thousand for intercompany transactions.
- In the "Loans and receivables" class, other receivables do not include the tax and social security receivables that are outside the scope of IAS 39; further information is provided earlier in this report. Advances to suppliers are included.

On the liabilities side, in addition to trade payables:

- In the class "Loans and receivables," the item "bank account overdrafts and other financial payables" consists of €7.173 thousand in bank account overdrafts and €380 thousand due on the account with RCS MediaGroup; "loans and borrowing" refer to a €3,000K credit line (hot money) with a major bank; and "intercompany financial payables" originate from cash pooling arrangements. "Other payables" also include the amount due for Sony's put option on its 13% share of Dada.net S.p.A. for €8,000K.

### Collateral

IFRS 7 requires disclosures in the case of financial assets pledged as collateral and third-party assets held as collateral. Because the Dada Group has given numerous security deposits but the amount in each case is immaterial, the following table shows only the total carrying amount at the end of 2010 and 2009; the Group has no liabilities for collateral received from third parties.

Collateral pledged (€/000)	Carrying amount	
	Dec. 2010	Dec. 2009
Security deposits	100	115

### Allowance for credit losses

The table below summarizes movements in the provision for doubtful accounts in 2010 and 2009. The allocation for 2010 refers to specific trade receivables for €83 thousand.

	Impairment of trade receivables	
	Dec. 2010	Dec. 2009
Balance at start of year	-1,592	-1,547
Allocation for the year		
- for individual writedowns	-83	-45
- for collective writedowns		
Utilizations	22	
Writebacks		
Other movements		
Exchange differences		
<b>Balance at end of year</b>	<b>-1,653</b>	<b>-1,592</b>

## Income, expense, gains, and losses on financial instruments

Gains and losses in 2010 and 2009 are presented below:

	Carrying amount	
	2010	2009
<b>INTEREST INCOME</b>		
<b>Interest income on financial assets not measured at fair value</b>		
Bank and post office deposits		22
Intercompany loans	9	113
Financial receivables for intercompany cash pooling	54	8
<b>TOTAL</b>	<b>63</b>	<b>143</b>
<b>INTEREST EXPENSE</b>		
<b>Interest expense on financial assets not measured at fair value</b>		
Bank and post office deposits	-90	-3
Financial payables for intercompany cash pooling	-108	-186
<b>TOTAL</b>	<b>-198</b>	<b>-189</b>

- Interest income includes interest on current accounts, intercompany loans and cash pooling arrangements.

- Interest expense consists of interest paid on the intercompany account between Dada S.p.A. and RCS MediaGroup S.p.A. (€7 thousand), plus interest on credit facilities and bank account overdrafts. Interest expense on intercompany cash pooling arrangements, amounting to €108 thousand, is shown separately.

Bank fees and charges are reported below. There were no charges for the handling of customer credit card payments.

Fees and charges not included in the effective interest rate	Carrying amount	
	2010	2009
- Bank and credit card fees and charges	-48	-59
<b>TOTAL</b>	<b>-48</b>	<b>-59</b>

### Qualitative disclosures about risk

DADA is exposed to credit risk, liquidity risk, and (to a very small degree) market risk. It has no exposure to commodity price risk.

#### - Credit risk

Dada S.p.A.'s credit risk is more or less concentrated depending on the particular business. The following table shows maximum exposure to credit risk for counterparty default (excluding

amounts receivable from employees, social security institutions, and the tax authorities, employee benefits and all instruments governed by IAS 12 and 19 that are outside the scope of IAS 39):

Maximum exposure to credit risk	Dec. 2010	Dec. 2009
Bank and other deposits	113	5,403
Trade receivables from third parties	292	146
Trade receivables - intercompany	2,718	8,313
Intercompany financial assets	25,718	3,500
Other receivables	309	311
Irrevocable lending commitments	300	
<b>Total</b>	<b>29,450</b>	<b>17,673</b>

Bank and other deposits include current accounts at banks for €13 thousand and other deposits with third parties for €100 thousand. Intercompany trade receivables are shown separately.

Intercompany financial receivables include cash pooling receivables for €25,518 thousand and a €200 thousand loan to Giglio Group.

Irrevocable lending commitments include the remaining amount to be disbursed on the loan to Giglio Group, which will total €500 thousand.

The aging analysis of overdue trade receivables is presented below:

Aging analysis of overdue trade receivables (€/000)	Carrying amount	
	Dec. 2010	Dec. 2009
Trade receivables from third parties		
- Overdue by less than 30 days		
- Overdue by 30-90 days		
- Overdue by 90-180 days		146
- Overdue by 180-365 days		
- Overdue by 1-2 years	292	
Intercompany trade receivables		
- Overdue by less than 30 days	27	3,738
- Overdue by 30-90 days	2,098	1,586
- Overdue by 90-180 days	367	1,507
- Overdue by 180-365 days		1,482
- Overdue by 1-2 years	226	
<b>Total</b>	<b>3,010</b>	<b>8,459</b>

The table below shows the composition of trade receivables and use of the provision for doubtful accounts:

Credit quality analysis		
	Dec. 2010	Dec. 2009
Trade receivables not overdue and not impaired	0	126
Trade receivables overdue and not impaired	3,010	8,333
Trade receivables overdue and impaired	1,694	1,592
Impairment provision	-1,694	-1,592
<b>Total</b>	<b>3,010</b>	<b>8,459</b>

*- Liquidity risk*

Liquidity risk may arise due to the difficulty of obtaining loans to support operating activities when needed.

IFRS 7 requires a maturity analysis for financial liabilities (including trade payables), as in the following tables for 2010 and 2009:

Maturity analysis at 31 December 2010	On sight	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	Total
<b>LIABILITIES</b>							
Trade payables - third parties		3,618					3,618
Trade payables - intercompany		117					117
Financial liabilities		3,000					3,000
Intercompany financial liabilities		29,122					29,122
Other payables		490			8,000		8,490
<b>Total</b>		<b>36,347</b>	<b>-</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>44,347</b>

Maturity analysis at 31 December 2009	On sight	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	Total
<b>LIABILITIES</b>							
Trade payables - third parties		3,044					3,044
Trade payables - intercompany		95					95
Financial liabilities		-					-
Intercompany financial liabilities		19,745					19,745
Other payables		1,922			8,000		9,922
<b>Total</b>		<b>24,806</b>	<b>-</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>32,806</b>

In the above maturity analysis, the heading "loans and borrowing" includes intercompany current accounts, for which payables will be settled within six months. under "Other payables,"



Sony's put option on 13% of Dada.net S.p.A. (€8,000K) is considered to be payable in the next two to three years.

The funding requirements and liquidity of Dada S.p.A. and the other Group companies are monitored or managed centrally under the control of the Group Treasury, to ensure the efficient and effective management of financial resources.

- *Market risk*

The sub-categories exchange risk and commodity price risk do not apply to Dada S.p.A. The following table summarizes the sensitivity of the income statement to a given increase or decrease in the key interest rate:

Interest rate shock		
Key rate	UP	DOWN
Euribor - Libor	+1 point	-1 point

Interest rate sensitivity analysis	Key rate	Carrying amount		Income statement			
				Shock up		Shock down	
		2010	2009	2010	2009	2010	2009
Financial assets	1M Euribor	13	2,026	0	24	0	-22
Intercompany financial assets	6M Libor	0	3,500	16	123	-9	-113
Intercompany financial assets from cash pooling	1M Euribor	25,718	3,283	94	9	-54	-8
Financial liabilities	1M Euribor	-10,553	0	-157	-3	90	3
Intercompany financial liabilities from cash pooling	1M Euribor	-29,122	-19,745	-188	-202	108	186
<b>Total</b>		<b>-13,944</b>	<b>-10,936</b>	<b>-235</b>	<b>-50</b>	<b>135</b>	<b>46</b>

Interest-bearing assets include bank accounts and cash pooling accounts indexed to the one-month Euribor. Floating rate financial liabilities include overdrawn intercompany cash pooling accounts indexed to the one-month Euribor, consisting mainly of amounts due from Dada S.p.A. to Dada.net S.p.A.

**Dada.**

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registro imprese FI n.467460


## ATTESTAZIONE

### del Bilancio d'esercizio al 31 Dicembre 2010 ai sensi dell'art. 81-fer del regolamento Consob n.11971 del 14 Maggio 1999 e successive modifiche e integrazioni

- I sottoscritti, Barbara Poggiali, in qualità di Amministratore Delegato, e Federico Bronzi in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Dada S.p.A., attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
  - l'adeguatezza in relazione alle caratteristiche dell'impresa e
  - l'effettiva applicazione, delle procedure amministrative e contabili per la formazione del Bilancio d'esercizio al 31 Dicembre 2010, approvato dal Consiglio di Amministrazione in data 14 Marzo 2011, nel corso dell'esercizio 2010.
- Si attesta, inoltre, che:
  1. il Bilancio d'esercizio al 31 Dicembre 2010.:
    - corrisponde alle risultanze dei libri e delle scritture contabili;
    - redatto in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'Art.9 del D.Lgs. n.38/2005 è idoneo/a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.
  2. La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Firenze, 14 Marzo 2011

Amministratore Delegato



Barbara Poggiali

Dirigente preposto alla redazione  
dei documenti contabili societari



Federico Bronzi

**Dada S.p.A.**

Bilancio d'esercizio al 31 dicembre 2010

Relazione della società di revisione  
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39

**Relazione della società di revisione  
ai sensi degli artt. 14 e 16 del D.Lgs. 27.1.2010, n. 39**

Agli Azionisti  
della Dada S.p.A.

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio, costituito dal conto economico complessivo, dallo stato patrimoniale, dal rendiconto finanziario, dal prospetto delle variazioni del patrimonio netto e dalle relative note illustrative, della Dada S.p.A. chiuso al 31 dicembre 2010. La responsabilità della redazione del bilancio in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005, compete agli amministratori della Dada S.p.A.. È nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla Consob. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi, si fa riferimento alla relazione da noi emessa in data 31 marzo 2010.

3. A nostro giudizio, il bilancio d'esercizio della Dada S.p.A. al 31 dicembre 2010 è conforme agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. n. 38/2005; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico ed i flussi di cassa della Dada S.p.A. per l'esercizio chiuso a tale data.

4. La responsabilità della redazione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari in conformità a quanto previsto dalle norme di legge e dai regolamenti compete agli amministratori della Dada S.p.A.. È di nostra competenza l'espressione del giudizio sulla coerenza della relazione sulla gestione e delle informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98, presentate nella relazione sul governo societario e gli assetti proprietari, con il bilancio, come richiesto dalla legge. A tal fine, abbiamo svolto le procedure indicate dal principio di revisione 001 emanato dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e raccomandato dalla Consob. A nostro giudizio la relazione sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l), m) e al comma 2, lettera b) dell'art. 123-bis del D.Lgs. 58/98 presentate nella relazione sul governo societario e gli assetti proprietari sono coerenti con il bilancio d'esercizio della Dada S.p.A. al 31 dicembre 2010.

Firenze, 30 marzo 2011

Reconta Ernst & Young S.p.A.

A handwritten signature in black ink, appearing to be 'Lapo Ercoli', written over the printed name.

Lapo Ercoli  
(Socio)

## RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI DADA SPA

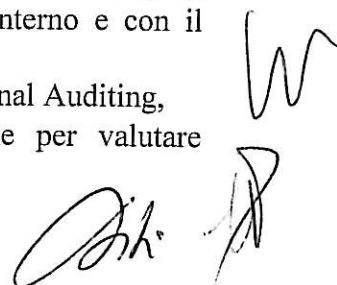
Signori Azionisti,

il progetto di bilancio al 31 dicembre 2010 predisposto ed approvato dal Consiglio di Amministrazione in data 14 marzo 2011 e sottoposto alla Vostra approvazione, chiude con un risultato netto negativo di 13.149 migliaia di euro. Il bilancio consolidato presentato a corredo del bilancio d'esercizio chiude invece con un risultato negativo di 17.499 migliaia di euro. Sia il bilancio d'esercizio che il bilancio consolidato sono stati redatti in osservanza delle norme di legge, dei Principi Contabili Internazionali omologati dalla Commissione Europea e delle disposizioni integrative emanate dalla Consob.

Nella Relazione sulla gestione gli Amministratori hanno illustrato l'andamento della gestione anche in forma disaggregata per settori di attività e aree geografiche. Anche le operazioni di maggior rilievo economico, finanziario e patrimoniale – che il Collegio ritiene siano state realizzate conformemente alla legge ed all'atto costitutivo – vengono descritte nella Relazione sulla gestione. Gli Amministratori hanno altresì fornito notizie in merito ai fatti di rilievo intervenuti dopo la chiusura dell'esercizio, alla prevedibile evoluzione della gestione e richiamato le varie tipologie di rischi cui il Gruppo Dada è esposto. In data 14 marzo 2011 il Consiglio di Amministrazione ha condiviso, approvandole specificamente ed in via preliminare all'analisi ed approvazione del bilancio consolidato le assunzioni e le proiezioni elaborate ai fini del processo di *impairment*. Nella redazione del progetto di bilancio d'esercizio e del consolidato non si sono rese necessarie deroghe di sorta.

Nel corso dell'esercizio il Collegio ha svolto l'attività di vigilanza prescritta dalla legge, tenendo anche conto delle indicazioni del Codice di Autodisciplina della Borsa Italiana cui la società ha aderito. In sintesi, la nostra attività si è esplicata mediante:

- la partecipazioni ai Consigli di Amministrazione,
- la vigilanza sull'osservanza della legge e dello statuto e sul rispetto dei principi di corretta amministrazione,
- periodiche riunioni con alti dirigenti della Società e del Gruppo Dada per acquisire informazioni sugli assetti organizzativi, sul sistema amministrativo-contabile, sul sistema di controllo interno, sull'andamento della gestione e sulle operazioni di maggior rilievo patrimoniale, finanziario ed economico,
- l'analisi dei principali aspetti della struttura organizzativa della Società al fine di accertarne l'adeguatezza,
- la presa di conoscenza del sistema di controllo interno e del sistema amministrativo contabile, al fine di accertarne l'affidabilità, anche mediante riunioni o scambi di informazione con la Società di revisione, con il Preposto al controllo interno e con il Dirigente preposto alla redazione dei documenti contabili societari,
- la presa visione del piano di interventi e degli esiti delle verifiche dell'Internal Auditing,
- la verifica delle procedure adottate dal Consiglio di Amministrazione per valutare l'indipendenza dei Consiglieri designati come indipendenti,



- incontri con componenti del Collegio Sindacale di controllate al fine di scambiare informazioni in merito ai sistemi di amministrazione e controllo e all'andamento generale dell'attività sociale,
- vigilanza sul processo di informativa finanziaria,
- vigilanza sull'attività di revisione contabile esplicitata mediante periodici incontri con la società di revisione,
- verifiche dirette nella misura reputata necessaria od opportuna.

Il Collegio ha analizzato le principali operazioni straordinarie poste in essere dalla Società e sue controllate monitorando i relativi processi deliberativi e accertando la conformità degli stessi alla legge e allo statuto sociale. Tutte le operazioni maggiormente significative poste in essere dalla Società e dalle sue controllate sono evidenziate e illustrate nella Relazione sulla Gestione/Note illustrative. In base alle informazioni acquisite si ritiene che le disposizioni impartite dalla Società affinché le sue controllate forniscano le notizie necessarie per adempiere gli obblighi di comunicazione previsti dalla legge sono adeguatamente delineate.

Con riferimento alle operazioni con parti correlate, nelle note al progetto di bilancio d'esercizio e consolidato, in attuazione dei principi contabili internazionali, gli Amministratori si soffermano sulle operazioni di detta natura, anche per quanto attiene ai loro effetti economico-finanziari. Il Collegio ha riscontrato che tali operazioni, per la descrizione delle quali si rinvia a quanto indicato nelle suddette note, sono congrue e realizzate in conformità con l'interesse della Società. In base alle analisi effettuate non si riscontrano operazioni che si configurino come atipiche/inusuali.

Le procedure adottate dalla società sulle operazioni con parti correlate - approvate dal Consiglio di amministrazione di DADA in data 8 novembre 2010 - sono conformi ai principi indicati nel Regolamento Consob n. 17221 del 12 marzo 2010.

L'obbligo di informativa al Collegio Sindacale di cui all'art. 150, comma 1, D.Lgs. 58/1998 è stato assolto dagli Amministratori secondo la dovuta periodicità, principalmente tramite le notizie ed i dati riferiti nel corso delle riunioni del Consiglio di Amministrazione, alle quali il Collegio sindacale ha sempre partecipato.

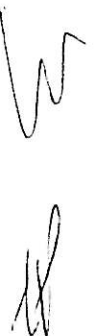
Nel corso dell'esercizio la Società ha conferito alla Reconta Ernst & Young alcuni incarichi diversi dalla revisione dei bilanci, i cui corrispettivi sono indicati di seguito:

- testing L. 262/2005: 130.000 euro;
- supporto per l'*enterprise risk management*: 60.150 euro;
- attività di *due diligence*: 147.692,45 euro;
- attività di supporto per l'avvio del business in alcuni nuovi paesi esteri: 8.320 euro.
- Servizi di consulenza fiscale : 65.000 euro

Il Collegio Sindacale non ravvisa in tali ulteriori incarichi aspetti critici sull'indipendenza della Società di Revisione.

Nel corso del 2010 il Collegio Sindacale ha rilasciato al Consiglio di Amministrazione pareri positivi ai sensi di legge nel corso della riunione del Consiglio di amministrazione del 10 marzo 2010 (in merito agli emolumenti per amministratori con particolari incarichi), dell'8 novembre (cooptazione avv. Chimenti e procedura parti correlate).

Vi diamo atto che dal lavoro svolto, come sopra sinteticamente illustrato, non sono emersi omissions, fatti censurabili o irregolarità che richiedano di essere segnalati a Voi o alle Autorità di

controllo e che nel corso dell'anno non ci sono pervenute da Azionisti denunce ai sensi dell'art. 2408 del codice civile né esposti.

Il Consiglio di Amministrazione si è riunito n. 8 volte e il Collegio Sindacale n. 8 volte. Almeno un sindaco ha partecipato alle riunioni del Comitato per il Controllo Interno.

Tenuto conto di quanto sopra esposto, delle informazioni ricevute dalla Società di Revisione nel corso delle riunioni tenute durante l'anno nonché delle recenti anticipazioni dateci in merito al parere espresso in ordine al bilancio civilistico e consolidato, il Collegio condivide la proposta del Consiglio di amministrazione per l'approvazione del Bilancio dell'esercizio chiuso al 31 dicembre 2010 nonché al rinvio a nuovo della perdita risultante dallo stesso.

Firenze, 30 marzo 2011

Il Collegio Sindacale

  
SILVIO BIANCHI MARTINI

CLAUDIO PASTORE



CESARE PIOVENE PORTO GODI

