

EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the income attributable to the equity holders of the company by the weighted average number of outstanding ordinary shares during the year. To calculate diluted earnings per share, the weighted average number of outstanding shares is adjusted by assuming the conversion of all shares with a potentially dilutive effect.

SEGMENT INFORMATION

The business segment (primary reporting segment) is a distinctly identifiable part of the Group which supplies a single product or service or an aggregate of related products and services and is subject to risks and rewards different from those of the other business segments of the Group. The geographical segment (secondary reporting segment) is a distinctly identifiable part of the Group which supplies a single product or service or an aggregate of related products and services and is subject to risks and rewards different from those relating to components which operate in other economic environments.

4. Financial risk management policies

Financial risk management is an integral part of the management of the Group's operations. Risk management is carried out centrally using policies defined by the General Management. Such policies define the categories of risk and specify the procedures and operating limits for each type of transaction and/or instrument. In accordance with these policies, the Group uses derivative contracts in relation to underlying financial assets or liabilities or future transactions. Financial risk management is centralized at the Sector Treasuries which have the task of evaluating the risks and putting into place the relative hedges under the coordination of Group Treasury. The Sector Treasuries operate directly in the market on behalf of the Operating Units and, where they cannot operate directly because of external restrictions, they coordinate the activities of Local Treasury Units.

TYPES OF FINANCIAL RISKS

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk. This risk is managed by the Sector Treasuries and coordinated by Group Treasury.

The Operating Units are responsible for gathering all the information inherent to the positions subject to foreign exchange risk which are managed by forward contracts negotiated with the Sector Treasuries. The positions subject to exchange risk are mainly represented by sales and purchases invoices.

The Sector Treasuries are responsible for assessing and managing the net position for every currency, in accordance with policies and pre-set limits, by negotiating derivative contracts on the market, generally forward contracts.

As a result, a change in exchange rates will not generate any significant effect on the income statement.

Forward contracts between the Operating Units and the Sector Treasuries as well as those among the Sector Treasuries and the market are not designated as hedging instruments as defined by IAS 39 although they are in place for the purpose of managing risks.

Currency translation risk

The Group holds controlling investments in companies which prepare their financial statements in currencies other than the euro, which is the presentation currency of the Group. This exposes the Group to risk from currency translations since fluctuations in the exchange rates of certain foreign currencies against the presentation currency (euro) can cause changes in the amount of consolidated equity.

The principal exposures to currency translation risk are monitored but it is not the Group's policy to hedge this exposure.

About 61 percent (about 73 percent at December 31, 2007) of total consolidated equity at December 31, 2008 is expressed in Euro. The most important currencies for the Group other than the Euro are the Brazilian real (14 percent; 11 percent at December 31, 2007) and the Turkish lira (8 percent; 6 percent at December 31, 2007).

The effect on total consolidated equity resulting from a hypothetical increase or decrease in the value of the above currencies against the Euro – all other conditions being equal, is as follows:

(in thousands of euros)

	10% increase in value		10% decrease in value	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Brazilian real	36,633	45,744	(29,973)	(37,427)
Turkish lira	20,578	27,333	(16,836)	(22,364)
Total effect on consolidated equity	57,211	73,077	(46,809)	(59,791)

Interest rate risk

The Group's policy is to tend to maintain a correct balance between fixed-rate debt and floating-rate debt with the aim being fixed-rate debt at about 60 percent of total financial debt.

The Group manages the risk of an increase in floating-rate debt interest rates by compensation with floating-rate receivables and by the use of derivative contracts. The designation of such derivatives as hedging instruments under IAS 39 is decided case by case and authorized by the General Management.

The effects on the results for the year and directly on total equity resulting from an increase or decrease of 0.50 percent in the level of interest rates of all the currencies to which the Group is exposed – all other conditions being equal, are the following:

(in thousands of euros)

	+0.50% increase		-0.50% decrease	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Effect on the result for the year:				
- companies consolidated line-by-line	(3,850)	39	2,634	1,276
- companies accounted for using the equity method	(1,484)	7,052	3,045	670
Total effect on the result for the year	(5,334)	7,091	5,679	1,946
Direct effect on equity:				
- companies consolidated line-by-line	1,195	836	(1,970)	(838)
- companies accounted for using the equity method	8,472	8,924	(8,749)	(9,169)
Total direct effect on equity	9,667	9,760	(10,719)	(10,007)