

Receivables on construction contracts, relating almost exclusively to the Real Estate Segment, represent the surplus of costs incurred and of margins recognized on the basis of the criterion of the percentage completed, of Euro 41,411 thousand at December 31, 2009 (Euro 9,967 thousand at December 31, 2008) compared with the advances received against invoicing of work in progress, of Euro 38,610 thousand at December 31, 2009 (Euro 3,790 thousand at December 31, 2008).

Of total gross trade receivables of Euro 813,666 thousand (Euro 847,940 thousand at December 31, 2008), Euro 155,323 thousand were past due (Euro 164,149 thousand at December 31, 2008). Receivables past due and not yet due were written down on the basis of the Group's policies described in the paragraph on the accounting standards adopted. Receivables written down include both significant single positions subject to individual impairment and positions with characteristics similar from the point of view of the credit risk grouped together and written down on a collective basis.

Movements in provisions for the impairment of trade receivables are shown below:

(in thousands of euro)

	12/31/2009	12/31/2008
Opening balance	59,989	53,872
Assets sold	-	(6,358)
Translation differences	1,350	(2,374)
Allocations	26,057	26,264
Utilization/releases	(8,970)	(10,990)
Changes in consolidation scope	(552)	94
Other	-	(519)
Closing balance	77,874	59,989

Provisions for the impairment of receivables are recognized in the Income Statement under the items "Other Expenses" (Note 33).

For trade receivables, the carrying amount is considered approximate to the fair value.

14. Other receivables

Other receivables can be broken down as follows:

(in thousands of euro)

	12/31/2009			12/31/2008		
	Total	Non-current	Current	Total	Non-current	Current
Associates and joint ventures						
- financial receivables	405,010	394,554	10,456	582,259	564,492	17,767
- other receivables	8,507	884	7,623	6,826	891	5,935
Financial receivables from third parties	92,082	91,257	825	98,781	87,987	10,794
Trade and other accrued income and prepaid expenses/third parties	24,152	4,952	19,200	18,018	13	18,005
Financial accrued income and prepaid expenses	1,818	622	1,196	4,721	1,004	3,717
Receivables from employees	6,989	2,746	4,243	8,240	2,893	5,347
Receivables from social security agencies	4,617	-	4,617	4,391	-	4,391
Receivables from tax authorities unrelated to income taxes	67,086	17,492	49,594	83,897	12,717	71,180
Other receivables	161,738	44,723	117,015	142,576	31,677	110,899
	771,999	557,230	214,769	949,709	701,674	248,035
Provisions for impairment of receivables	(17,625)	-	(17,625)	(8,079)	-	(8,079)
	754,374	557,230	197,144	941,630	701,674	239,956

For **other current and non-current receivables**, the carrying amount is considered approximate to the fair value. In particular as regards non-performing loans (included under the item "other receivables") which, as explained in the description of the accounting policies and measurement criteria of reference, are carried at their amortized cost using the effective interest criterion, the carrying amount is the present value of the future cash flows resulting from the latest available business plan at the original effective interest rate.

The carrying amount of these receivables, calculated as described above, is considered approximate to the fair value of the same at the date of December 31, 2009, because the original effective interest rate, used to determine the present value, is still today representative of a market rate that would be applied by third parties for measurement of the portfolio; this rate was in fact determined considering the specific features (riskiness, reference market, etc.) of the portfolio being measured, elements that the management responsible for these assessments considers still substantially valid today.

Financial receivables with associates and joint ventures amounted to Euro 405,010 thousand and relate almost exclusively to the Real Estate segment. Of these, Euro 394,337 thousand are classified as non-current on the basis of time to collection, in relation to the plans for the disposal of real estate assets held directly or indirectly by the companies, which are realized in a time horizon of between two and six years. These loans are disbursed at rates in line with those charged by the leading market operators, with the exception of certain companies to which interest-free loans were granted. As of December 31, 2009, the discounting of non-interest-bearing shareholders' loans, net of interest accrued, led to a reduction in the receivable of Euro 4,735 thousand. The net decrease in the item compared with the amount at December 31, 2008 (of Euro 169,938 thousand) is mainly due to increases of Euro 85,301 thousand mostly attributable to new loans disbursed (in particular to the company Espelha – Servicos de Consultadoria L.d.a., Jamesmail B.V. and Nabucco B.V., as well as to entry into the consolidation scope of the companies in the Mistral R.E. B.V. Group) set against decreases due mainly for Euro 83,731 thousand to the refund of the shareholders' loan on the part of the company European NPL S.A. and for Euro 16,192 thousand to the waiver of loans on the part of lender companies. It should be noted that from the present financial year the decreases include the reductions of financial receivables due from associates and joint ventures operated in excess of the carrying amount of equity investments relating to the same companies from which the financial receivables are claimed.

Non-current financial receivables due from third parties (Euro 91,257 thousand) refer primarily to amounts deposited to guarantee tax and legal disputes in relation to the subsidiary Pirelli Pneus S.A. (Brazil), remunerated at market rates.

Other current receivables (Euro 117,015 thousand) include:

- receivables for portfolios of Non-Performing Loans of the Real Estate Segment of Euro 29,730 thousand (Euro 21,094 thousand at December 31, 2008), attributable to acquisitions of portfolios of unsecured and mortgage loans during previous years predominantly from Banca Popolare di Intra and Banca Antonveneta;
- receivables for the sale of equity investments of the Real Estate Segment, of Euro 3,301 thousand;
- receivables from the Campania Region of the Real Estate Segment of Euro 1.757 thousand, relating to regional grants to be disbursed by the Campania Region, under the terms of R.L. N° 15 of July 26 2002 and later extensions and amendments, in favour and in support of buyers of properties owned by the company Geolidro S.p.A..

The gross amount of other impaired receivables was Euro 35,706 thousand at December 31, 2009 (Euro 26,884 thousand at December 31, 2008), and concerned mainly receivables for the NPL portfolio.

Movements in provisions for the impairment of other receivables are shown below:

(in thousands of euro)

	12/31/2009		12/31/2008	
	non-current	current	non-current	current
Opening balance	-	8,079	3,610	2,845
Translation differences	-	9	-	(21)
Provisions	-	6,088	-	1,124
Utilization/releases	-	(143)	-	(424)
Changes in consolidation scope	-	3,592	(3,610)	4,545
Other	-	-	-	10
Closing balance	-	17,625	-	8,079

15. Tax receivables

Tax receivables amounted to Euro 51,042 thousand (of which Euro 9,578 thousand of non-current assets) compared with Euro 56,510 thousand at December 31, 2008 (of which Euro 10,264 thousand of non-current assets).

16. Inventories

Inventories can be broken down as follows:

(in thousands of euro)

	12/31/2009	12/31/2008
Pirelli Tyre	559,579	809,376
Pirelli Real Estate	96,637	93,379
Other	22,761	18,355
	678,977	921,110

(in thousands of euro)

	12/31/2009	12/31/2008
Raw and auxiliary materials and consumables	140,923	210,045
Sundry materials	745	771
Trading properties held for sale	55,335	17,775
Buildings under construction/renovation	9,603	34,997
Work in process and semi-finished products	39,659	63,385
Finished products	390,178	538,529
Goods purchased for resale	9,274	10,413
Building plots	31,698	40,525
Advances to suppliers	1,562	4,670
	678,977	921,110

The decrease in value of the inventories of Pirelli Tyre was essentially due to reductions in the quantity, as a result of actions taken to improve operating efficiency, and in the value owing to a reduction in unit costs.