

22. Provisions for liabilities and charges

The changes that occurred during the period are shown below:

PROVISIONS FOR LIABILITIES AND CHARGES - NON-CURRENT PORTION (in thousands of euro)

Opening balance at 12/31/2008	141,191
Translation differences	21,478
Change in scope	1,720
Increases	13,987
Utilization/releases	(9,938)
Other	(645)
Closing balance at 12/31/2009	167,793

PROVISIONS FOR LIABILITIES AND CHARGES - CURRENT PORTION (in thousands of euro)

Opening balance at 12/31/2008	135,650
Translation differences	8
Increases	194,609
Utilization/releases	(83,264)
Reclassification	(3,528)
Decrease in financial receivables	(114,629)
Other	1,937
Closing balance at 12/31/2009	130,783

At December 31, 2009 **provisions for liabilities and charges - non-current portion** relates mainly to provisions set aside for legal and tax disputes concerning the subsidiary Pirelli Pneus S.A. in Brazil (Euro 97,892 thousand), contingent tax liabilities (Euro 27,410 thousand) and other contingent liabilities/charges of a commercial nature and employment disputes (Euro 14,541 thousand) involving the parent company Pirelli & C. S.p.A., and to contractual commitments for extraordinary maintenance work on properties sold (Euro 16,913 thousand) and disputes in arbitration and lawsuits in progress (Euro 8,400 thousand) undertaken by Pirelli & C. Real Estate S.p.A..

Increases in the non-current portion in the year involved mainly adjustments related to the needs to cover commercial risks, compensation and disputes (Euro 2,687 thousand of the parent company Pirelli & C. S.p.A. and Euro 8,218 thousand of the Tyre segment).

Provisions for liabilities and charges - current include amounts set aside for contractual guarantees and product claims (Euro 72,112 thousand of the Tyre segment and Euro 11,314 of the Broadband Access segment), provisions made by the parent company Pirelli & C. S.p.A. to cover warranties given on the occasion of the sales of the Pirelli businesses in the Cables and Energy and Telecommunication Systems segments to Goldman Sachs Capital Partner completed in July 2005 (Euro 10,000 thousand), restructuring expenses for internal reorganization of Pirelli & C. Real Estate S.p.A. (Euro 5,714 thousand) as well as provisions for risks on equity investments carried at equity, relating to the Real Estate segment (Euro 3,279 thousand), which include amounts set aside to cover the losses of associates and joint ventures exceeding their carrying amount and the amount of financial receivables from them, where a legal or constructive obligation exists..

Increases in the current portion relate mainly to the Tyre segment (Euro 57,491 thousand) for units based in Italy for industrial illnesses, remediation work on the new area of the Settimo Torinese hub and product warranties, in Spain for costs associated with closure of the Manresa factory and in the USA for liabilities arising from disputes and product warranties. The increases also relate to adjustments to provisions for equity investments carried at equity in the Real Estate segment (Euro 117,908 thousand).

The **utilization/releases of the current portion** mainly relate to the Real Estate segment and are associated with adjustments to provisions for equity investments carried at equity (Euro 48,670 thousand).

The item “**decrease in financial receivables**” contains the reduction in financial receivables from such companies against the portion of loss incurred by the same exceeding their carrying amount.

23. Employee benefits obligations

The item includes:

(in thousands of euro)

	12/31/2009	12/31/2008
Pension funds:		
- funded	222,368	157,368
- unfunded	92,310	88,752
Employee severance indemnity (Italian companies)	51,454	56,783
Healthcare plans	17,899	18,442
Other benefits	67,849	45,190
	451,880	366,535

PENSION FUNDS

The following table shows a breakdown of the pension funds at December 31, 2009:

(in thousands of euro)

	12/31/2009					
	Germany	Total unfunded pension funds	USA	UK	Other countries	Total funded pension funds
Funded funds						
Present value of funded liabilities			122,199	783,307	2,981	908,487
Fair value of plan assets			(76,860)	(606,856)	(2,403)	(686,119)
Unfunded funds						
Present value of unfunded liabilities	92,310	92,310				
Net liabilities recognized	92,310	92,310	45,339	176,451	578	222,368
of which:						
- Tyre	84,168	84,168	45,339	91,681	578	137,598
- Real Estate	8,142	8,142				
- Other				84,770		84,770