

## 8. Property, plant and equipment

At December 31, 2009 the breakdown and changes are as follows:

(in thousands of euro)

	12/31/2009			12/31/2008		
	Gross Amount	Depreciation	Net Amount	Gross Amount	Depreciation	Net Amount
Land	87,458	-	87,458	83,456	-	83,456
Buildings	735,295	(337,542)	397,753	625,712	(296,474)	329,238
Plant and Machinery	2,791,177	(1,731,094)	1,060,083	2,549,392	(1,537,876)	1,011,516
Industr. and comm. equipment	598,038	(471,172)	126,866	525,374	(410,590)	114,784
Other assets	230,698	(175,467)	55,231	226,136	(167,084)	59,052
	<b>4,442,666</b>	<b>(2,715,275)</b>	<b>1,727,391</b>	<b>4,010,070</b>	<b>(2,412,024)</b>	<b>1,598,046</b>

### GROSS AMOUNT (in thousands of euro)

	12/31/2008	Change in scope	Hyperinflation effect	Exchange differences	Increase	Decrease	Reclass.	Other	12/31/2009
Land	83,456	-	-	2,967	837	(1,570)	33	1,735	87,458
Buildings	625,712	19,080	16,353	19,775	50,901	(15,100)	9,484	9,090	735,295
Plant and Machinery	2,549,392	15,863	15,545	147,970	125,000	(32,232)	(14,102)	(16,259)	2,791,177
Industr. and comm. equipment	525,374	-	3,970	33,756	25,416	(12,855)	11,886	10,491	598,038
Other assets	226,136	-	661	4,328	23,077	(16,941)	(7,301)	738	230,698
	<b>4,010,070</b>	<b>34,943</b>	<b>36,529</b>	<b>208,796</b>	<b>225,231</b>	<b>(78,698)</b>	<b>-</b>	<b>5,795</b>	<b>4,442,666</b>

### DEPRECIATION (in thousands of euro)

	12/31/2008	Change in scope	Hyperinflation effect	Exchange differences	Increase	Decrease	Reclass.	Other	12/31/2009
Buildings	(296,474)	-	(13,760)	(10,779)	(10)	5,358	(21,248)	(629)	(337,542)
Plant and Machinery	(1,537,876)	-	(10,809)	(83,741)	172	26,230	(125,013)	(57)	(1,731,094)
Industr. and comm. equipment	(410,590)	-	(3,214)	(27,907)	3,329	10,450	(43,273)	33	(471,172)
Other assets	(167,084)	-	(466)	(5,860)	(3,491)	15,545	(12,153)	(1,958)	(175,467)
	<b>(2,412,024)</b>	<b>-</b>	<b>(28,249)</b>	<b>(128,287)</b>	<b>-</b>	<b>57,583</b>	<b>(201,687)</b>	<b>(2,611)</b>	<b>(2,715,275)</b>

### NET AMOUNT (in thousands of euro)

	12/31/2008	Change in scope	Hyperinflation effect	Exchange differences	Increase	Decrease	Reclass.	Depr.	Other	12/31/2009
Land	83,456	-	-	2,967	837	(1,570)	33	-	1,735	87,458
Buildings	329,238	19,080	2,593	8,996	50,901	(9,742)	9,474	(21,248)	8,461	397,753
Plant and Machinery	1,011,516	15,863	4,736	64,229	125,000	(6,002)	(13,930)	(125,013)	(16,316)	1,060,083
Industr. and comm. equipment	114,784	-	756	5,849	25,416	(2,405)	15,215	(43,273)	10,524	126,866
Other assets	59,052	-	195	(1,532)	23,077	(1,396)	(10,792)	(12,153)	(1,220)	55,231
	<b>1,598,046</b>	<b>34,943</b>	<b>8,280</b>	<b>80,509</b>	<b>225,231</b>	<b>(21,115)</b>	<b>-</b>	<b>(201,687)</b>	<b>3,184</b>	<b>1,727,391</b>

At December 31, 2008 the movements were as follows:

**GROSS AMOUNT** (in thousands of euro)

	12/31/2007	Assets sold	Exchange differences	Increase	Decrease	Reclass.	Other	12/31/2008
Land	83,511	-	(7,077)	8,910	(4,496)	2,608	-	83,456
Buildings	658,310	(7,679)	(42,084)	26,014	(11,975)	3,119	7	625,712
Plant and Machinery	2,652,755	(28,166)	(237,116)	205,862	(29,232)	(12,706)	(2,005)	2,549,392
Industr. and comm. equipment	574,675	(25,151)	(54,071)	37,938	(17,501)	9,180	304	525,374
Other assets	236,540	(12,031)	(16,265)	32,000	(13,135)	(2,201)	1,228	226,136
	<b>4,205,791</b>	<b>(73,027)</b>	<b>(356,613)</b>	<b>310,724</b>	<b>(76,339)</b>	<b>-</b>	<b>(466)</b>	<b>4,010,070</b>

**DEPRECIATION** (in thousands of euro)

	12/31/2007	Assets sold	Exchange differences	Increase	Decrease	Reclass.	Other	12/31/2008
Buildings	(301,584)	4,324	20,123	-	2,497	(21,041)	(793)	(296,474)
Plant and Machinery	(1,624,730)	10,952	170,495	7,430	19,798	(122,152)	332	(1,537,875)
Industr. and comm. equipment	(448,876)	18,233	46,490	37	16,236	(41,187)	(1,523)	(410,590)
Other assets	(180,116)	9,235	13,925	(7,467)	11,344	(14,362)	356	(167,085)
	<b>(2,555,306)</b>	<b>42,744</b>	<b>251,033</b>	<b>-</b>	<b>49,875</b>	<b>(198,742)</b>	<b>(1,628)</b>	<b>(2,412,024)</b>

**NET AMOUNT** (in thousands of euro)

	12/31/2007	Assets sold	Exchange differences	Increase	Decrease	Reclass.	Depr.	Other	12/31/2008
Land	83,511	-	(7,077)	8,910	(4,496)	2,608	-	-	83,456
Buildings	356,726	(3,355)	(21,961)	26,014	(9,478)	3,119	(21,041)	(786)	329,238
Plant and Machinery	1,028,025	(17,214)	(66,621)	205,862	(9,434)	(5,276)	(122,152)	(1,673)	1,011,517
Industr. and comm. equipment	125,799	(6,918)	(7,581)	37,938	(1,265)	9,217	(41,187)	(1,219)	114,784
Other assets	56,424	(2,796)	(2,340)	32,000	(1,791)	(9,668)	(14,362)	1,584	59,051
	<b>1,650,485</b>	<b>(30,283)</b>	<b>(105,580)</b>	<b>310,724</b>	<b>(26,464)</b>	<b>-</b>	<b>(198,742)</b>	<b>(2,094)</b>	<b>1,598,046</b>

The **increases** in financial year 2009 mainly involved the Tyre segment where investments were aimed at increasing manufacturing capacity in “low cost” and emerging countries, increasing high-range production, developing innovative processes, launching new “Green Performance” products and at improvements in the fields of the health and safety of workers and environmental management of factories.

The ratio of investments in financial year 2009 to depreciation is 1.12.

The **change in the scope** relates mainly to acquisition of the Solar Utility Group.

The **hyperinflation effect** is associated with the adoption of inflation accounting in the subsidiary Pirelli de Venezuela C.A. in financial year 2009 (on this point see also note 41 below).

**Investments in property, plant and equipment in progress** at December 31, 2009 amounted to Euro 142,629 thousand (Euro 115,454 thousand at December 31, 2008).

**Impairment losses** in 2009, which are included in the “decreases” column in the above table, amounted to Euro 13,970 thousand (Euro 9,770 thousand at December 31, 2008). They were recog-

nized in the Tyre sector and related mainly to units based in Italy: of the total amount, Euro 8,500 thousand was due to machinery no longer used and Euro 3,300 thousand to the impairment of a building linked to the creation of the “New Technological Hub” project. They are accounted for in the income statement under the item “Amortization, depreciation and impairments” (note 32).

As regards restrictions on ownership of assets, it should be noted that:

- the subsidiary Pirelli Tyres Alexandria Co. gave a guarantee for the countervalue of plant and machinery for a total of Euro 9,039 thousand (Euro 10,844 thousand at December 31, 2008);
- the subsidiary Pirelli Pneus S.A. pledged its machinery and land as collateral for a total of Euro 52,788 thousand (Euro 50,248 thousand at December 31, 2008).

No borrowing costs were capitalized on plant, property and equipment.

## 8.1. FINANCIAL LEASES

The value of land, buildings, plant, machinery and other assets for which the Group has entered into a financial leasing agreement is included in the respective categories of plant, property and equipment.

The details are as follows:

(in thousands of euro)

	12/31/2009			12/31/2008		
	Cost	Accumulated depreciation	Net Amount	Capitalized cost	Accumulated depreciation	Net Amount
Leased land	10,470	-	10,470	11,187	-	11,187
Leased buildings	66,320	(8,082)	58,238	61,842	(13,832)	48,010
Other leased assets	17,311	(9,606)	7,705	17,389	(7,623)	9,766
Leased plant and machinery	92	(92)	-	86	(86)	-
	<b>94,193</b>	<b>(17,780)</b>	<b>76,413</b>	<b>90,504</b>	<b>(21,541)</b>	<b>68,963</b>

As regards leased land and buildings, information on the most significant agreements is provided below:

- Pirelli & C. S.p.A. has entered into a leasing agreement with a pool of banks (SG LEASING S.p.A. and UniCredit Leasing S.p.A.) for the building that hosts the R&D structures and activities of the Tyre Segment.  
The agreement, in place since May 2000, has a term of 13 years and provides for a buy option on expiry. The leasing instalments are subject to indexing at the 3-month EURIBOR parameter. The net carrying amount of the building is Euro 38,585 thousand (Euro 40,244 thousand at December 31, 2008) and the one of the land is Euro 10,184 thousand (unchanged from December 31, 2008);
- the subsidiary Pneumobil GmbH has entered into three leasing agreements with the company DAL-Florenta in relation to the buildings of three sales outlets in Germany. The term of two agreements is between 20 and 25 years and expiry is scheduled before the end of 2010. The third contract was renewed in 2009 for a term of 15 years. One of the three contracts provides for a buy option on expiry. The third contract has been renewed in 2009, has a duration of 15 years and provides for a buy option on expiry. The leasing instalments of the three contracts are not subject to indexing.  
The net carrying amount of the buildings of the German affiliate is a total of Euro 412 thousand (Euro 179 thousand at December 31, 2008) and that of the associated land is Euro 286 thousand (Euro 1,003 thousand at December 31, 2008);
- the subsidiaries Solar Utility S.p.A and Solar Prometheus S.r.l. have entered into three leasing agreements with the company SelmaBipiemme Leasing S.p.A. in relation to photovoltaic systems for the production of solar electricity classified as leased buildings. The

agreements, in place since March 2009, have a term of 18 years and provide for a buy option on expiry. The leasing instalments are not subject to indexing. The net carrying amount at December 31, 2009 is Euro 18,688 thousand.

Other leased assets mainly include an aircraft covered by a leaseback agreement entered into by the subsidiary Perseo S.r.l. with Leasint S.p.A. (formerly Intesa Leasing S.p.A.). The agreement, in place since April 2005, has a term of 7 years and provides for a redemption option on expiry. The leasing instalments are subject to indexing at the 3-month EURIBOR parameter. The net carrying amount is Euro 7,480 thousand (Euro 9,520 thousand at December 31, 2008).

Payables for financial leases are included under financial payables (Note 24).

The minimum payments due (or the payments required of the lessee during the remaining term of the lease) can be broken down as follows:

(in thousands of euro)

	12/31/2009	12/31/2008
up to 1 year	9,744	12,447
from 1 to 5 years	33,659	34,117
more than 5 years	18,429	-
<b>Total</b>	<b>61,832</b>	<b>46,564</b>
Future financial expenses	(13,904)	(5,465)
<b>Amount of leasing payables (Note 24)</b>	<b>47,928</b>	<b>41,099</b>

The table below shows the amount of financial lease payables divided according to expiry dates:

(in thousands of euro)

	12/31/2009	12/31/2008
up to 1 year	7,005	10,759
from 1 to 5 years	27,858	30,340
more than 5 years	13,065	-
<b>Total (Note 24)</b>	<b>47,928</b>	<b>41,099</b>