

## 9. Intangible assets

The breakdown and changes were as follows:

(in thousands of euro)

	12/31/2008	Exchange differences	Change in consolidation scope	Increase	Decrease	Amort.	Other	12/31/2009
Patents and intellectual property rights	424	-	-	-	-	(132)	-	292
Concessions/licenses /trademarks	25,070	(203)	-	253	(3,854)	(1,614)	(51)	19,601
Goodwill	1,007,685	(10)	-	16,414	(6,262)	-	28	1,017,855
Application software	12,129	7	(243)	2,242	(10)	(6,458)	112	7,779
Other intangible assets	800	13	90	806	-	(1,222)	1,460	1,947
	<b>1,046,108</b>	<b>(193)</b>	<b>(153)</b>	<b>19,715</b>	<b>(10,126)</b>	<b>(9,426)</b>	<b>1,549</b>	<b>1,047,474</b>

(in thousands of euro)

	12/31/2007	Exchange differences	Discontinued operations	Change in consolidation scope	Increase	Decrease	Amort.	Other	12/31/2008
Patents and intellectual property rights	574	-	(10)	553	-	-	(145)	(548)	424
Concessions/licenses/trademarks	22,356	(5)	(80)	(846)	6,470	(883)	(2,817)	875	25,070
Goodwill	634,953	20	(86,752)	(410)	462,025	(2,624)	-	473	1,007,685
Application software	10,442	14	(288)	599	7,615	(79)	(6,841)	667	12,129
Other intangible assets	4,215	(8)	(3,508)	(1,533)	594	(231)	(135)	1,406	800
	<b>672,540</b>	<b>21</b>	<b>(90,638)</b>	<b>(1,637)</b>	<b>476,704</b>	<b>(3,817)</b>	<b>(9,938)</b>	<b>2,873</b>	<b>1,046,108</b>

**The increase in the item “goodwill”** related mainly to:

- acquisition of control of the Solar Utility Group (Euro 2.282 thousand), as described in the paragraph “Consolidation scope”;
- purchase, completed on 20 November 2009 by Pirelli Real Estate Deutschland GmbH, of the remaining interest, of 20%, in the share capital of the company Pirelli RE Asset Management Deutschland GmbH (Euro 11,928 thousand).

**The decrease in the item “goodwill”** was mainly due to:

- Euro 840 thousand, from the sale of 20% of Pirelli RE Credit Servicing S.p.A;
- Euro 2,903 thousand, from the sale of 10% of Pirelli & C Real Estate Società di Gestione del Risparmio S.p.A.; the portion of goodwill sold was measured in proportion to the percentages sold compared with the acquisitions that generated the goodwill.

At December 31, 2009, the distribution of goodwill by operating segment and the cash generating units (or groups of cash generating units) to which it was allocated for the purposes of the impairment test and the method used to assess the recoverable amount are shown in the following table:

(in thousands of euro)

Operating segment	Cash generating unit/Groups of CGUs	Value	Recoverable value
Tyre	Consumer	517,165	Value in use
Tyre	Industrial	312,419	Value in use
Eco Technology	Eco Technology	4,860	Value in use
Other	Environment	2,372	Fair value
Real Estate	Real Estate	32,910	Value in use
Real Estate	Agency	5,814	Value in use
Real Estate	Credit Servicing	4,226	Value in use
Real Estate	Property	13,356	Value in use
Real Estate	Poland	3,257	Value in use
Real Estate	Fund management	26,139	Value in use
Real Estate	Germany	95,184	Value in use
Real Estate	Non-Performing Loans	152	Value in use
		<b>1,017,854</b>	

The impairment test consists of estimating the recoverable amount of the cash generating units and comparing it with the net carrying amount of the relevant assets, including goodwill. Value in use corresponds to the present value of the future cash flows that are expected to be associated with the cash generating units, using a rate that reflects the specific risks of the single cash generating units at the valuation date.

In applying this method the management uses many assumptions, including estimates of future sales increases, operating cash flows, the rate of growth of terminal values and the weighted average cost of capital (discount rate). More specifically, the cash flows approved by the management used to determine the value in use cover a time horizon of two years for the Tyre and Real Estate segments and three years for the Eco Technology segment. For the Real Estate segment the flows relating to the third, fourth and fifth year were extrapolated from the flows of the second year without applying growth assumptions.

The calculation also factored in the flow deriving from the disposal of cash generating units at the end of the explicit period (assumed to be the present value of the perpetual return of the flow generated in the last year of the projection); for industrial businesses, this flow was extrapolated applying to the flow of the last year a growth factor of 2% (2% in financial year 2008).

The discount rates, net of taxes, applied to prospective cash flows are shown in the following table:

Operating segment	Cash generating unit/Groups of CGUs	Discount rate	
		2009	2008
Tyre	Consumer	9.16%	9.20%
Tyre	Industrial	9.16%	9.20%
Eco Technology	Eco Technology	9.20%	15.00%
Real Estate	Real Estate	6.5% - 8%	6.50%
Real Estate	Agency	6.50%	6.50%
Real Estate	Credit Servicing	6.50%	6.50%
Real Estate	Property	6.50%	6.50%
Real Estate	Poland	6.5%-8%	6.50%
Real Estate	Fund management	6.50%	6.50%
Real Estate	Germany	6.50%	6.50%
Real Estate	Non-Performing Loans	6.50%	6.50%

With reference to the Real Estate Sector, the Group allocated indistinctly Euro 32,910 thousand as the difference between the purchase over time of minority interests on the listed securities market and the associated net equity. The sustainability of this higher value recognized is assessed considering the recoverable amount of the segment as a whole.

On the basis of the results of the tests performed, no impairment loss emerged.

A sensitivity analysis of the results was also carried out: in all cases the values in use remain higher than the carrying amounts even assuming a change in key parameters such as:

- a change in the weighted average cost of capital of 50 basis points (hundredths of one percent) or
- for industrial businesses, a change in the growth rate of 50 basis points.

**Impairment losses** in 2009 of intangible fixed assets, which are included in the “decreases” column in the table, relate mainly, for Euro 3,854 thousand (Euro 60 thousand at December 31, 2008) to the write-down of the concession issued by Milan City Council to the subsidiary Parcheggi Bicocca S.r.l. for the management up to the year 2032 of the P7 and P9 car parks located in the Bicocca area. They are accounted for in the income statement under the item “Amortization, depreciation and impairments” (Note 32).