

24. Borrowings from banks and other financial institutions

Amounts due to banks and other financial institutions can be broken down as follows:

(in thousands of euro)

	12/31/2009			12/31/2008		
	Total	Non-current	Current	Total	Non-current	Current
Bonds	-	-	-	150,000	-	150,000
Borrowings from banks	1,661,280	1,402,524	258,756	1,780,681	1,279,470	501,211
Borrowings from other lenders	62,135	60,899	1,235	66,401	64,739	1,662
Financial leasing payables	47,927	40,923	7,005	41,099	30,340	10,759
Financial accruals and deferrals	14,169	789	13,379	19,268	510	18,758
Other financial payables	9,599	670	8,930	13,859	688	13,171
	1,795,110	1,505,805	289,305	2,071,308	1,375,747	695,561

Financial payables backed by real guarantees (pledges and mortgages) amounted to Euro 23,845 thousand (Euro 19,107 thousand at December 31, 2008).

Adding to the total for the item Euro 29,599 thousand relating to measurement at negative fair value of exchange rate derivatives hedging financial payables (classified under the item “Derivative financial instruments”), we obtain a gross debt of Euro 1,824,709 thousand, which is shown in the net financial position.

For current payables, the carrying amount is considered approximate to the fair value. Current payables include the proportion of non-current financial payables, of Euro 141,000 thousand (Euro 414,330 thousand at December 31, 2008), due to be settled within the next financial year.

The fair value of non-current payables is shown below, compared with their carrying amount:

(in thousands of euro)

	12/31/2009		12/31/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current financial payables	1,505,805	1,503,800	1,375,747	1,383,316

At December 31, 2009, the breakdown of payables by interest rate and by initial currency of origin of the debt is as follows:

(in thousands of euro)

	Fixed rate		Variable rate		Total
EUR	117,507		68,683		186,190
USD	-		-		-
BRL (Brazilian Real)	43,541		-		43,541
EGP (Egyptian Pound)	-		-		-
CNY (Chinese Renminbi)	27,509		21,315		48,824
Other currencies	10,750		-		10,750
Current payables	199,307	69%	89,998	31%	289,305
EUR	999,043		361,788		1,360,831
USD	7,581		-		7,581
BRL (Brazilian Real)	39		32,718		32,757
CNY (Chinese Renminbi)	-		54,762		54,762
RON	-		49,874		49,874
Non-current payables	1,006,663	67%	499,142	33%	1,505,805
	1,205,970	67%	589,140	33%	1,795,110

At December 31, 2008 the situation was as follows:

(in thousands of euro)

	Fixed rate		Variable rate		Total
EUR	301,418		228,896		530,314
USD	1,902		-		1,902
BRL (Brazilian Real)	88,872		-		88,872
EGP (Egyptian Pound)	-		-		-
CNY (Chinese Renminbi)	37,737		26,326		64,063
Other currencies	10,310		100		10,410
Current payables	440,239	63%	255,322	37%	695,561
EUR	313,321		989,192		1,302,513
USD	23,711		-		23,711
BRL (Brazilian Real)	-		17,909		17,908
CNY (Chinese Renminbi)	-		31,614		31,614
Non-current payables	337,032	24%	1,038,715	76%	1,375,747
	777,271	38%	1,294,037	62%	2,071,308

The value of fixed-rate payables indicated above includes those established by contract as fixed-rate payables and those established by contract as variable-rate payables to offset which hedging derivatives have been put in place.

The increase in the percentage of fixed-rate indebtedness compared with financial year 2008 (67% compared with 38%) is mainly due to the acquisition, during 2009, of interest rate derivatives to hedge floating-rate payables for a total notional Euro 575 million (Euro 100 million at December 31, 2008).

The Group's exposure to fluctuations in interest rates on financial payables, in terms of both type of rate and their resetting date, are summarized below:

(in thousands of euro)

	12/31/2009			12/31/2008		
	Total	Fixed rate	Variable rate	Total	Fixed rate	Variable rate
Up to 6 months	457,765	114,132	343,633	850,480	378,539	471,941
From 6 to 12 months	100,714	100,714	-	61,700	61,700	-
From 1 to 5 years	1,135,116	889,609	245,507	1,151,637	329,541	822,096
More than 5 years	101,515	101,515	-	7,491	7,491	-
	1,795,110	1,205,970	589,140	2,071,308	777,271	1,294,037

The bond loan issued in 1999 by Pirelli & C. S.p.A. for Euro 150,000 thousand at a fixed rate of 5.125% was redeemed on April 7, 2009.

It should be noted that some of the following credit facilities, all of a revolving type, are subject to financial covenants and negative pledge clauses.

Corporate:

- Barclays Capital, BNP Paribas, HSBC Bank plc, J.P. Morgan plc, The Royal Bank of Scotland plc (as Mandated Lead Arrangers), for an amount of Euro 800,000 thousand (of which Euro 155,000 thousand with maturity December 2011 and Euro 645,000 thousand with maturity December 2012), not utilised and for which Pirelli & C. is obliged to maintain a certain level of consolidated net indebtedness and a certain ratio between consolidated net indebtedness and Gross Operating Margin. At December 31, 2009 these parameters were being observed. As regards negative pledges the facility provides for a commitment not to grant real guarantees, above a threshold of Euro 75,000 thousand, in relation to the Relevant Debts (bond loans and the like destined for listing) with the exception of real guarantees on the existing debt or debt to replace it, to be granted by law, relating to “export finance”, “project finance” and subsidized finance.

Tyre:

- Syndicated facility (granted to Pirelli Tyre S.p.A. and Pirelli International Limited), in which 12 banks take part for a total amount of Euro 675,000 thousand, utilised for Euro 675,000 thousand, with maturity February 2012, for which no covenants are envisaged. There is a negative pledge clause which provides for a commitment not to grant real guarantees, above a threshold defined as the greater of Euro 100,000 thousand and 3% of Total Assets (as defined in the consolidated financial statements of Pirelli Tyre S.p.A.), in relation to the Relevant Debts (bond loans and the like destined for listing) with the exception of real guarantees on the existing debt or debt to replace it, to be granted by law, relating to “export finance”, “project finance” and subsidized finance.

Real Estate:

- West LB AG, for an amount of Euro 50,000 thousand, utilised in full and with a maturity of May 2011, for which Pirelli & C. Real Estate S.p.A. is obliged to maintain a certain amount of net equity at the consolidated level;
- Club Deal, for a total amount of Euro 320,000 thousand, utilised partially, with a maturity of July 2012, for which Pirelli & C. Real Estate S.p.A. has undertaken to maintain:
 - a maximum level of net indebtedness, decreasing over time;
 - a maximum level in the ratio between net indebtedness and equity, decreasing over time;

- starting in December 2010 a maximum level in the ratio between net indebtedness and net income;
- UniCredit Corporate Banking of Euro 35,000 thousand at December 31, 2009 with decreasing commitment over time and final maturity at December 31, 2010, utilised in full. On this facility Pirelli & C. Real Estate S.p.A. is not obliged to observe any financial covenants.

At December 31, 2009 the entire financial covenant mentioned above are being observed.

No other existing financial payables contain financial covenants or clauses that might cause early repayment of the loans as a result of events other than bankruptcy.
No negative pledge clauses are present.

At December 31, 2009 the Group has available, besides cash and securities held for trading of Euro 793,137 thousand, unused committed credit lines of Euro 819,000 thousand (Euro 785,000 thousand at December 31, 2008), with the following maturities:

(in thousands of euro)

	12/31/2009	12/31/2008
2010	-	10,000
2011	155,000	136,000
2012	664,000	639,000
Total	819,000	785,000

As regards payables for financial leasing, see Note 8.1 "Leases".

25. Trade payables

Trade payables 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	20,983	-	20,983	21,704	-	21,704
Minorities	959,996	-	959,996	1,079,800	-	1,079,800
Notes payable	1,933	-	1,933	3,043	-	3,043
Payables on construction contracts	4,961	-	4,961	4,026	-	4,026
	987,873	-	987,873	1,108,573	-	1,108,573

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

Payables on construction contracts, relating to the Real Estate Segment, represent the amount by which advances received against invoicing of work in progress, of Euro 43,010 thousand at December 31, 2009 (Euro 30,266 thousand at December 31, 2008) exceed the costs incurred and the margins recognized on the basis of the criterion of the percentage of work completed, of Euro 38,049 thousand at December 31, 2009 (Euro 26,240 thousand at December 31, 2008).