



TIM Group

# 1Q2018 Results

May 17, 2018

Amos Genish  
Piergiorgio Peluso

 **TIM**

# Safe Harbour

**This presentation contains statements that constitute forward looking statements** regarding the intent, belief or current expectations of future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the TIM Group.

**Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors.**

**TIM Group financial results are prepared in accordance with the International Financial Reporting Standards issued by IASB and endorsed by the EU (IFRS). The accounting policies and consolidation principles adopted in the preparation of the 1Q18 financial results include the effects arising from the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenues from Contracts with Customers.**

**As a result of this and for comparison purposes, the 1Q18 financial results are also presented in accordance with the prior IFRS on revenues (IAS 18, IAS 11 and related interpretations) and financial instruments (IAS 39).**

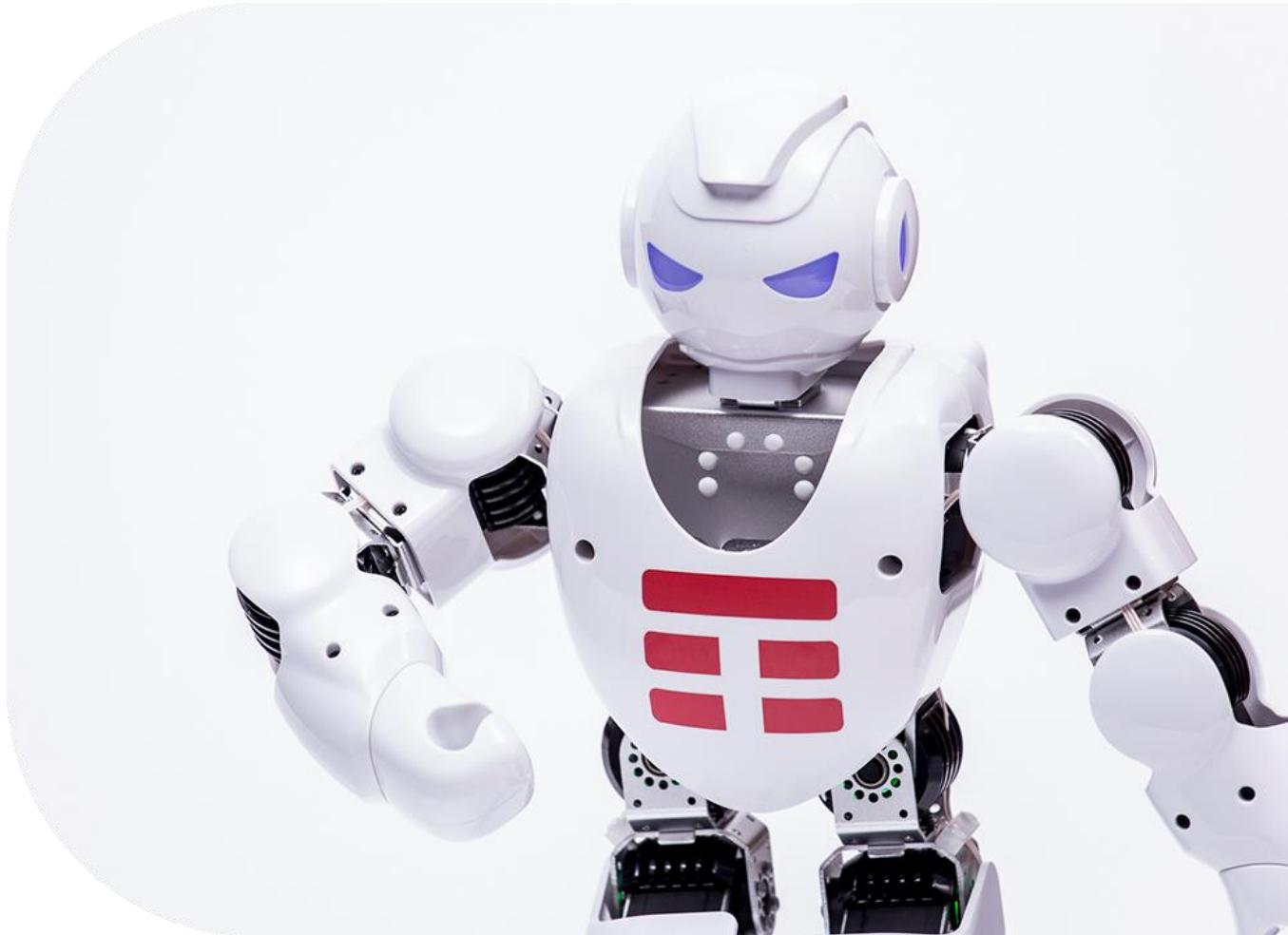
# 1Q'18 Results

**1** Highlights and Main Trends

**2** Financial Update

**3** DigiTIM Transformation

**4** Take-aways



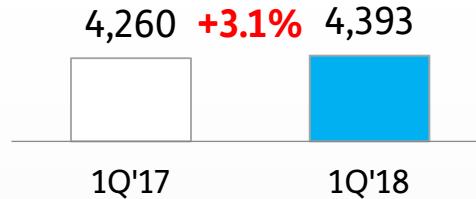
# Group Quarterly Results On-Track

Organic data<sup>(1)</sup>, figures in €mln, % YoY

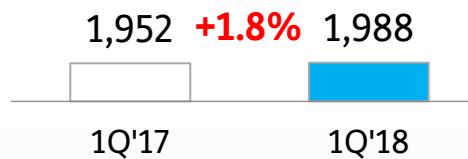
## First Quarter 2018

Group

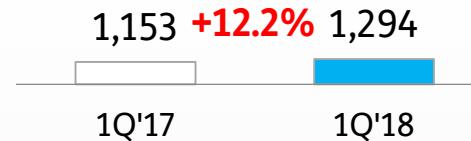
### Service Revenues



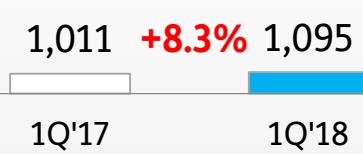
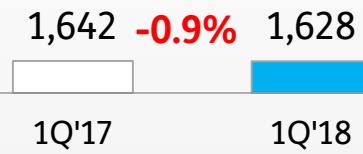
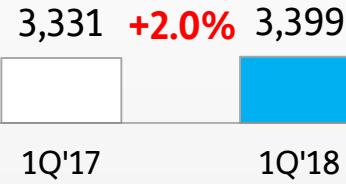
### EBITDA



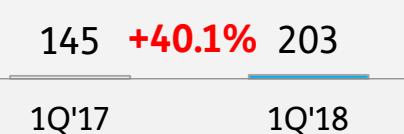
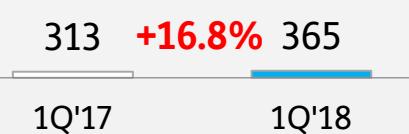
### EBITDA-CAPEX



Domestic



Brazil



## Highlights

**Solid Group Organic growth** in Revenues and Ebitda, accelerating to double-digit in Ebitda less Capex

**Positive Domestic Service Revenues** performance

**Organic Domestic Ebitda:**

- slight and temporary impact by personnel measures re-phasing
- net of one-offs<sup>(2)</sup>, **underlying trend is +1.3% YoY**
- **deducting Capex**, YoY growth accelerates to high single-digit

**Continued strong performance** in Brazil, with impressive growth in first-level measure of OFCF

On Reported figures, €95mln non-recurring operating expenses were mainly in relation to provisions covering the €74.3mln fine levied on May 8, 2018 for alleged infringement of the “Golden Power” rule, which TIM is contesting and will appeal against shortly.



(1) Excluding exchange rate impact and non-recurring items

(2) Domestic Ebitda YoY one-offs: Roam-like-at-home -€10mln in 1Q'18, Change in modem sale terms -€5mln in 1Q'18, Vendor Rebates +€19mln in 1Q'17 (see annex section)

1Q'18 Results  
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# 1Q'18 TIM Group Total Revenues Breakdown

Organic Performance<sup>(1)</sup>, €mln, %YoY

## TIM Group

### By Technology

**Total Revs.<sup>(2)</sup>**  
4,742 +2.7%

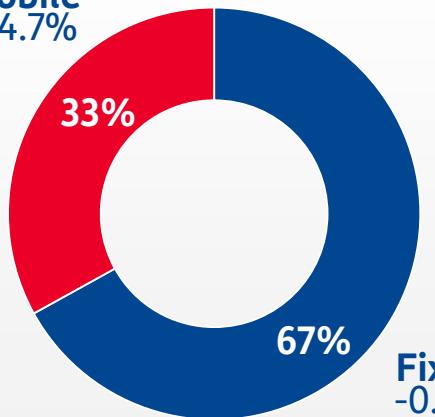
o/w Domestic  
3,709 +2.0%

o/w Brazil  
1,037 +4.8%

**Mobile**  
+4.7%

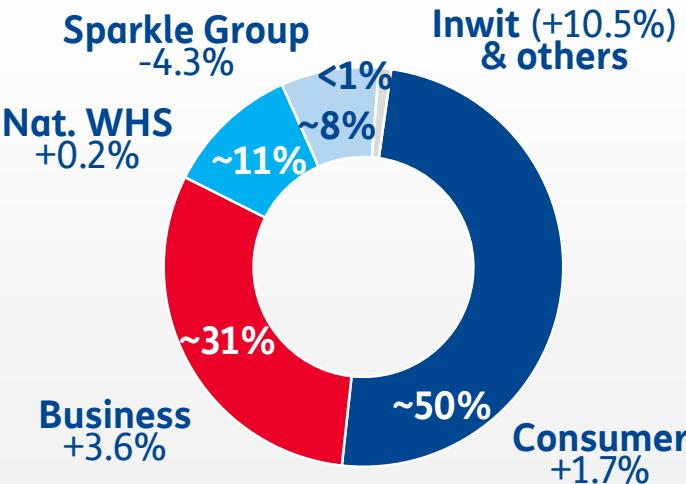
**33%**

**Fixed**  
-0.2%



## Domestic

### By Business Segment



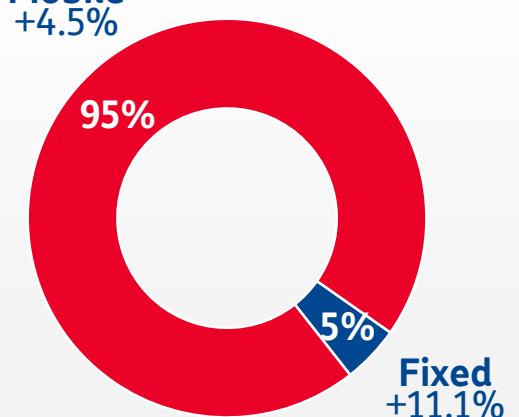
## Brazil

### By Technology

**Mobile**  
+4.5%

**95%**

**Fixed**  
+11.1%



## Highlights

**Total Mobile Revenues** up mid-single digit

**Total Fixed** was slightly negative, slowed down by international wholesale and lower product sales (discontinuity in device policy)

**Retail Fixed service revenues** were up by 2.3% YoY

Positive top line contribution from all Business Units, except for **Sparkle**, impacted by relevant IRU May '17 partial renewal at lower rates.

Mobile Revenues supported by **Portfolio innovation and increased 4G penetration**

Consistent evolution of Fixed customer base due to the **growth of TIM Live**

# Domestic Mobile: Continued Progression

## Revenues & ARPU

Organic data, €mln, % YoY, ARPU €/month

<b>Total</b>	<b>1,216</b>	<b>+4.7%</b>	<b>1,273</b>
Product	133	+12.6%	150
Service	1,083	+3.7%	1,123

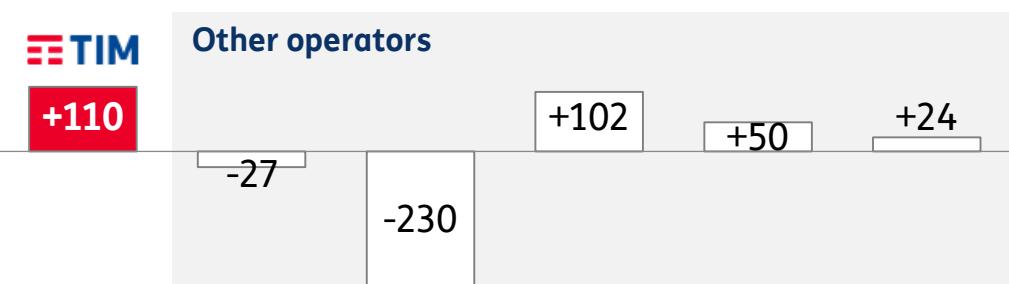
1Q'17 1Q'18

**ARPU Human<sup>(1)</sup>**  
15.8 €/month  
+4.6% YoY

Service Revenues performance sustained by continued increase in LTE penetration and data usage

## TIM 1Q'18 leadership in Mobile Number Portability

k, Rounded numbers



(1) ARPU on Human lines

(2) Includes M2M and Business-Segment Large Screens (for Inventory & Fleet Management etc.)



## Customer Base

k, Rounded numbers, % and Δ QoQ

<b>TOT. CB</b>	<b>30,755</b>	<b>+0.9%</b>	<b>31,036</b>
<b>TOT. ACTIVE</b>	<b>26,992</b>	<b>+1.4%</b>	<b>27,366</b>
<b>NOT HUMAN<sup>(2)</sup></b>	<b>7,424</b>	<b>+5.6%</b>	<b>7,841</b>
<b>HUMAN</b>	<b>19,569</b>	<b>-0.2%</b>	<b>19,525</b>
o/w Voice & Mess. Only	6,674	-202	6,472
o/w BB Users	12,895	+158	13,053

4Q'17 1Q'18

- Broadband CB growth to above 13mln
- Active customers penetration increase by 374k lines
- LTE users at 10.1mln

<b>4G Users</b>	<b>9,745</b>	<b>+354</b>	<b>10,099</b>
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**77% of Mobile BroadBand CB**

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# Domestic Fixed: building Premium Growth

## Revenues & ARPU

Organic data, €mln, % YoY, ARPU €/month



**Positive Retail Service Revenues performance, net of International Wholesale drag**



**+87k TIM Vision customers on fixed**  
**6.5% CB growth QoQ<sup>(1)</sup>**



**Key new convergent offer launched:**  
**TIM 100%**

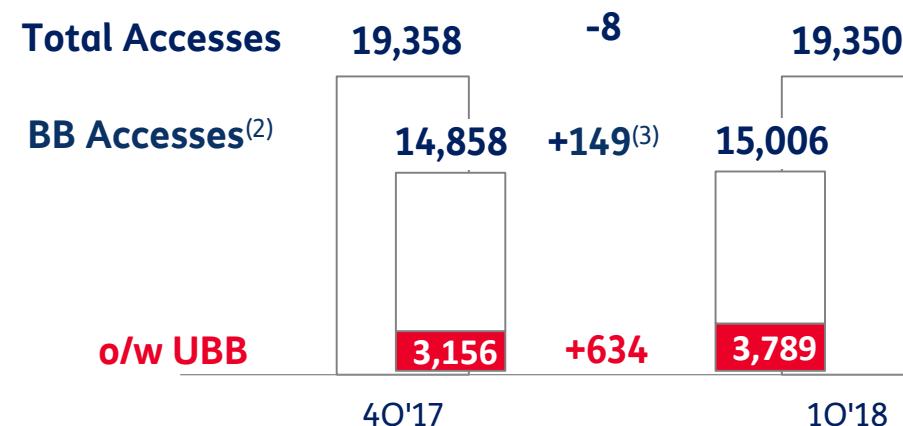


(1) TIM Vision fixed customers were 1,433k in 1Q'18 vs. 1,345k in 4Q'17  
(2) Internal estimate of total BB accesses enabled by TIM, excluding Full Infrastructure, Wi Max & Other non-TIM, net of market reconciliation.



## Fixed Accesses

k, Rounded numbers, Δ QoQ



Total Accesses	4Q'17	1Q'18	delta
<b>Retail<sup>(4)</sup></b>	11,407	11,285	-123
<b>Wholesale</b>	7,951	8,065	+114
UBB Accesses	4Q'17	1Q'18	delta
<b>Retail<sup>(4)</sup></b>	2,170	2,484	+314
<b>Wholesale</b>	986	1,306	+319

(3) QoQ change on BB Accesses includes +18k Retail active and +131k Wholesale

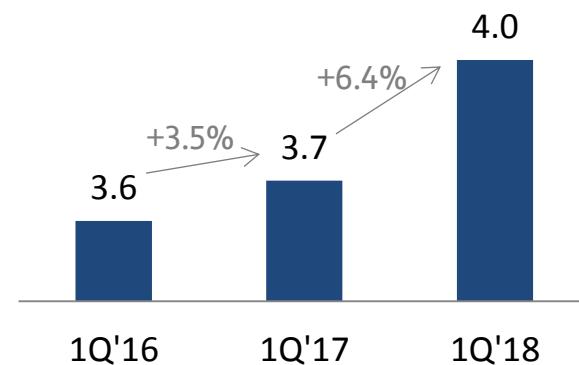
(4) Active, VoIP included

**1Q'18 Results**  
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# TIM Brasil: Strong Delivery continues

Organic Performance, R\$mln, Rounded numbers

## Net Service Revenues



MSR +6.2 % YoY

Live Revs +42.7 % YoY

EBITDA +16.8% YoY

EBITDA Margin 35.2 % (+3.6 p.p YoY)

Mobile ARPU +13.8% YoY

12M Postpaid Net Adds<sup>1</sup> +3.0 Mln

Fixed UBB Arpu (TIM Live) +12.5% YoY

12M Fixed UBB Net Adds +88k

700 Mhz cities +59 vs 4Q'17

FTTH<sup>2</sup> HP +262 (000) vs 4Q'17

## Highlights

- Consistent Service Revenues Expansion
- Solid Customer Base Growth on Mobile Postpaid and Fixed Broadband
- Excellent Performance in Operating Profitability
- Network Evolution Supporting Robust Operating Momentum

Increased cash generation supported a new resolution to pay 230 mlnR\$ of Interest on Capital (IoC) in August

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# Domestic OPEX: Efficiency supports Operational priorities

Organic data, €mln, % YoY

	1Q17	1Q18	
<b>Total</b>	<b>1,994</b>	<b>2,081</b>	<b>+87 (+4,4%)</b>
Commercial <sup>(1)</sup>	709	740	+31
Industrial	237	235	-3
G&A, IT and Labour	800	816	+16
<b>Addressable OpeX Base</b>	<b>1,746</b>	<b>1,790</b>	<b>+44 (+2,5%)</b>
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Other <sup>(2)</sup>	248	291	+43

EFFICIENCY AREA

## Highlights

**Strong OPEX discipline applied on the entire Addressable Base**

**Commissioning and Customer Care YoY increase to:**

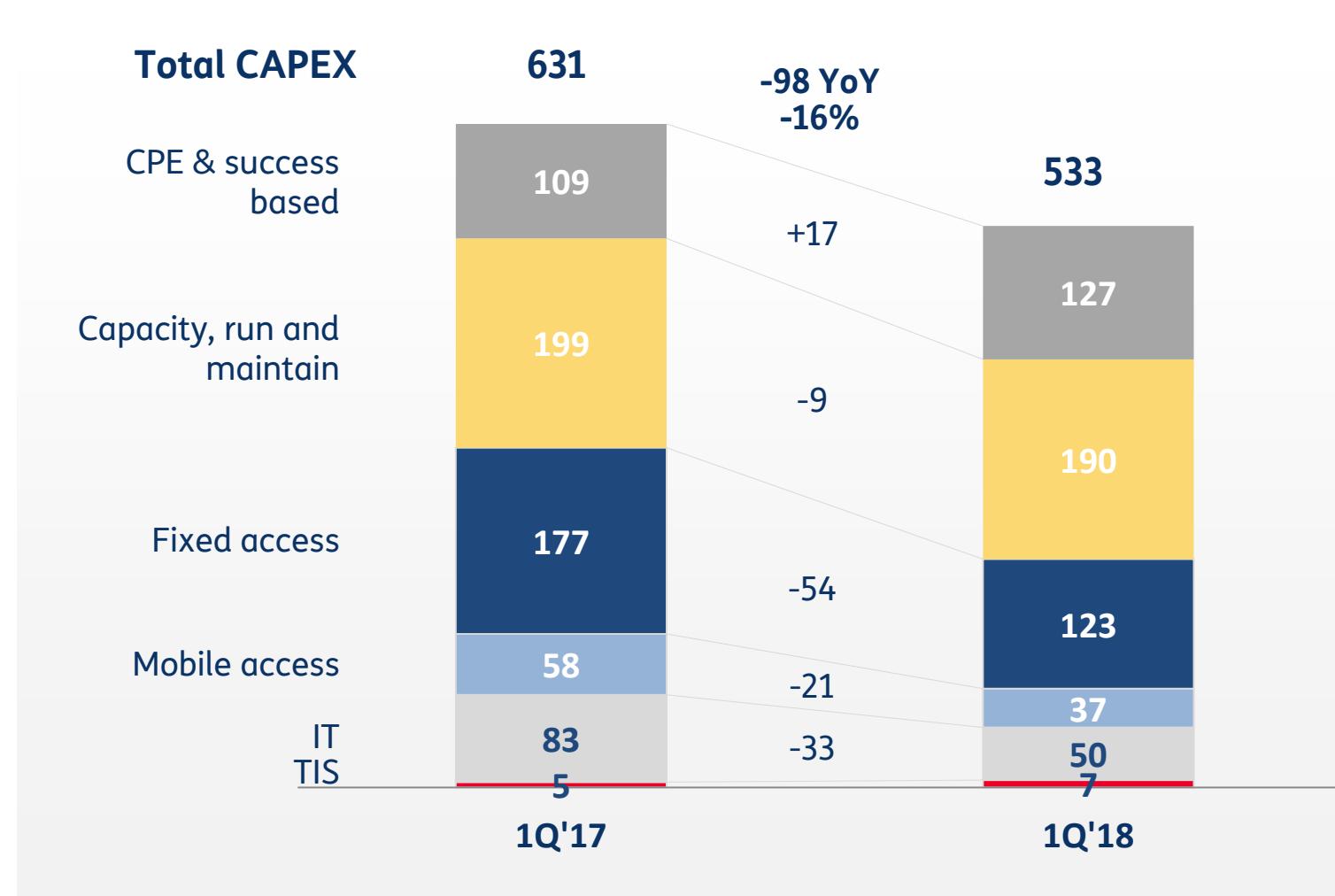
- attract new customers
- consolidate the existing ones
- grow LTE penetration and fiber adoption

**Industrial costs slightly down notwithstanding larger provisioning volumes on network**

**Addressable OpeX Base YoY growth** shows major improvement in efficiency program

# Domestic CAPEX: Ultra BroadBand Coverage Dividend starts accruing

Organic data, €mln, % YoY



## Highlights

**Capital allocation** based on updated strategic priorities and IRR evaluation

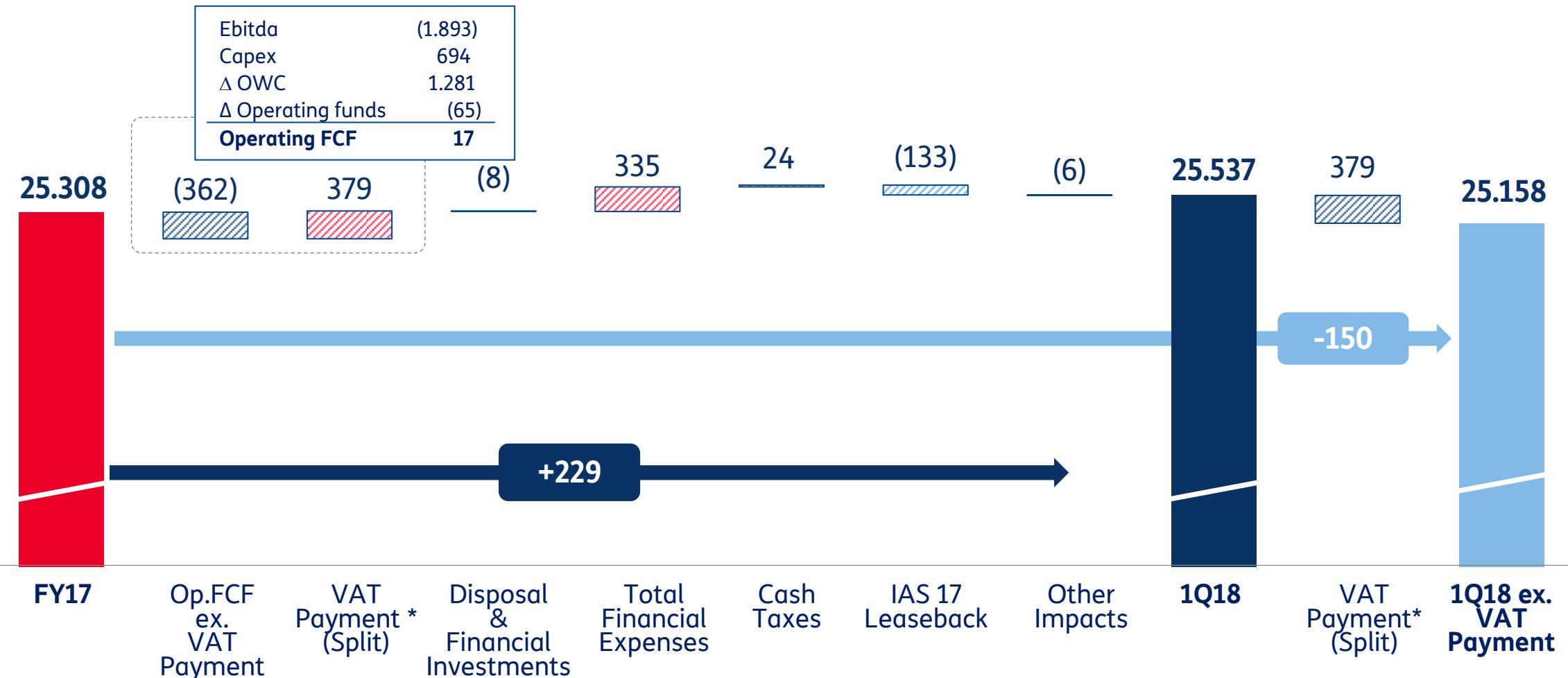
**Cash Flow Generation improved** with continued focus on customer needs

**-€85 mln on Fixed and Mobile Network** following a more selective and focused coverage plan

**-€33 mln on IT** supported by careful streamlining of running costs

# TIM Group 1Q'18 NFP affected by change in Italian Tax Law on VAT payment

€mln; (-) = Cash generated, (+) = Cash absorbed



Starting from July 2017, VAT payment changed by law from net to gross basis. This impacted 1Q'18 Debt absorbing Working Capital. No further related drags will occur.

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# DigiTIM 2018-2020 Plan Strategic Pillars are part of Day-to-Day Action

- || **Best in class customer engagement** through **digital** and **agile** customer journey redesign
- .....
- || **Leadership positioning** by sustaining premium customer base and capturing new growth opportunities **in** and **outside the core**
- .....
- || Acceleration of **cash-flow generation** to strengthen balance sheet and increase total shareholder return
- .....
- || **Agile organization**, performance based and data driven culture

# DigiTIM Domestic Transformation is delivering Solid Results since its launch in 2018

Value share of initiatives implemented in Q1 vs. 2018 Transformation plan		Strategic pillars	Area	Transformational actions implemented	Main KPIs progress (Q1 2018 vs. Q4 2017)
Q1	27%	Leadership positioning and best in class customer engagement	Commercial	<ul style="list-style-type: none"> <li>B2C: Released first wave of new simplified, flexible Fixed and Mobile portfolio</li> <li>B2C: Executed fiber migration acceleration plan</li> <li>B2C: 2nd brand Kena revamped to address new customer segments</li> <li>B2C: Revised FMC convergent offer</li> <li>B2B: Reviewed SME Fixed and Mobile portfolio</li> <li>B2B: Executed fiber migration acceleration plan</li> <li>B2B: Launched multi-Cloud and hybrid services for SME</li> </ul>	+2.7% ARPU Fixed <sup>1</sup> +0.5% ARPU Mobile <sup>1</sup> 1 <sup>st</sup> in Customer Service Index Mobile
Q2				<ul style="list-style-type: none"> <li>Revised commercial approach to improve sales effectiveness</li> <li>First release of new end-to-end delivery process</li> </ul>	+15% new lines +38% new customers +4% TIM Vision customers
Q3				<ul style="list-style-type: none"> <li>Completed first wave of contract renegotiations and vendor consolidation</li> <li>First release of real estate streamlining and consolidation</li> </ul>	+4.4% SME ARPU Fixed <sup>2</sup> +3.6% SME ARPU Mobile <sup>2</sup> +12% active fiber lines +2% SME Cloud customers
Q4			Wholesale Infrastructures N & S	<ul style="list-style-type: none"> <li>Optimized Capex spent via “same for less” and “smart investment” approach</li> <li>Optimized online acquisition with Smart targeting</li> </ul>	+32% UBB active lines -12% delivery time <sup>3</sup> 7% of planned savings achieved 10% of release plan executed <sup>4</sup>
Total	27%			<ul style="list-style-type: none"> <li>Set up of dedicated Digital &amp; Advanced Analytics center of excellence (CoE)</li> <li>Launched pilots on Transformational Advanced Analytics use cases</li> <li>Launched Agile rooms to develop digital channels and streamline processes</li> <li>First release of reviewed organizational structure to improve accountability</li> </ul>	7% of planned saving achieved +87% Fixed online activations +43% Mobile online activations +40 FTE on CoE +3 use cases +7 new Agile rooms 3 simplified and streamlined BUs
Agile organization		Opex efficiency	Capex efficiency		
		Digital & Advanced Analytics (AA)	People, Culture & Organization		

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## Take-aways



**Solid Quarterly results, driven by positive Domestic performance and strong growth in Brazil**



**DigitIM Transformation underwrites Domestic Top Line and EBITDA performance for the Plan**

**Thank you**

# For further questions please contact the IR Team

## Investor Relations Contact Details



**Phone**  
+39 06 36882807  
+39 02 85956807



**E-mail**  
[Investor\\_relations@telecomitalia.it](mailto:Investor_relations@telecomitalia.it)



**Contact details for all  
IR representatives:**  
[www.telecomitalia.com/ircontacts](http://www.telecomitalia.com/ircontacts)



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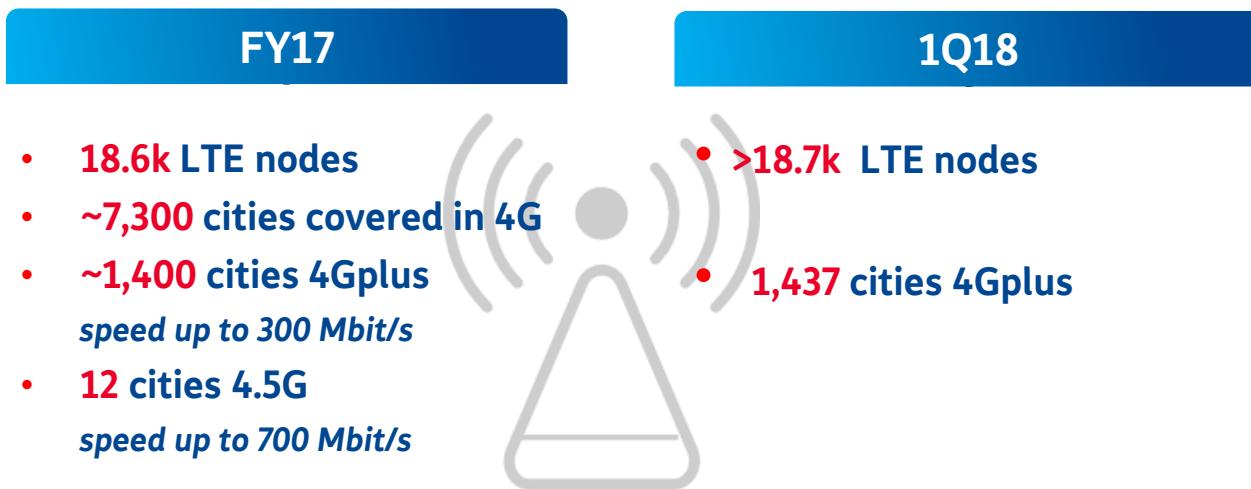
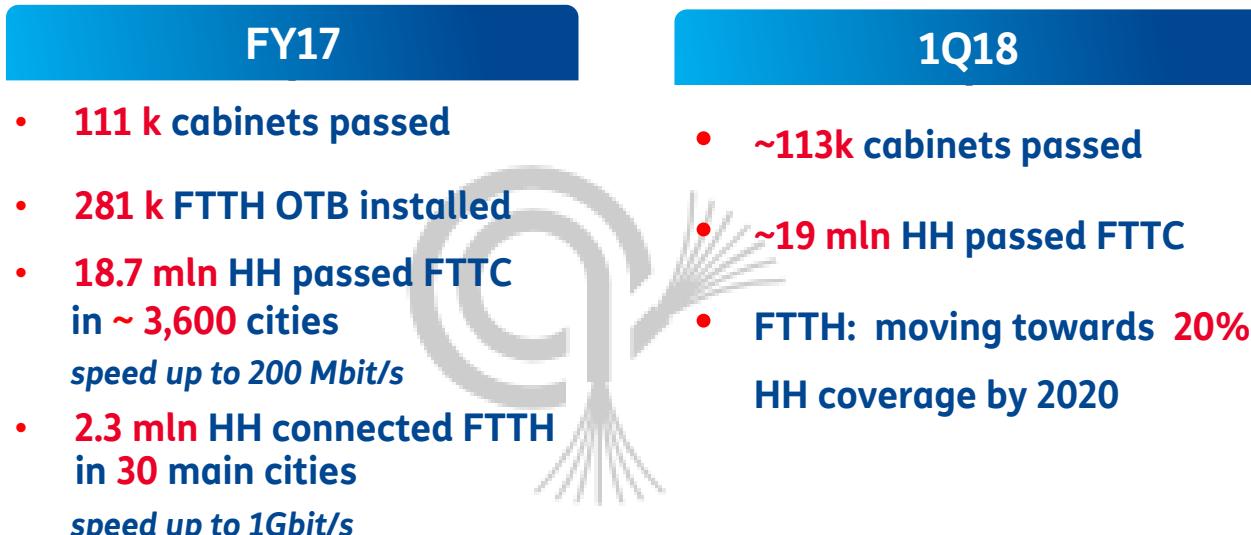
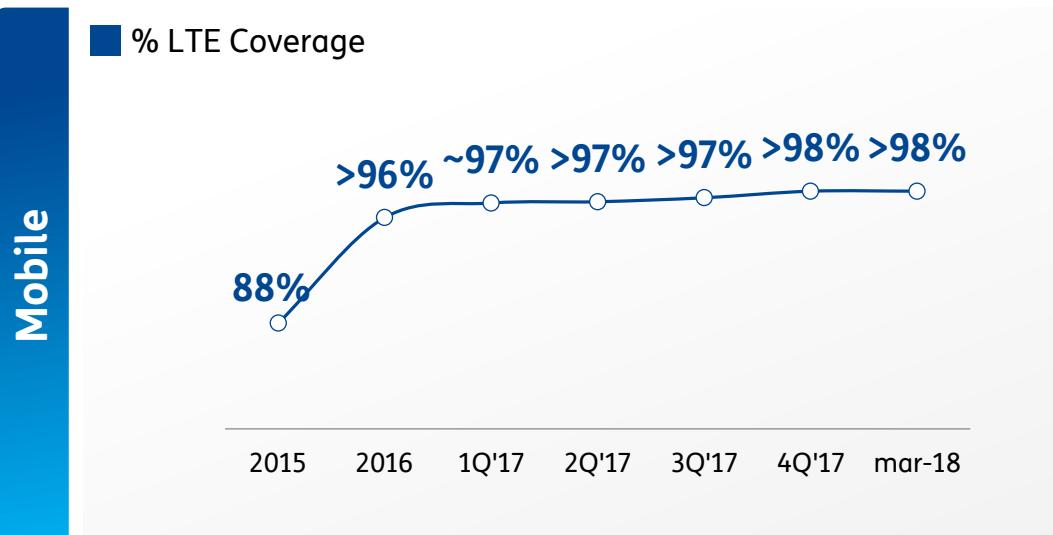
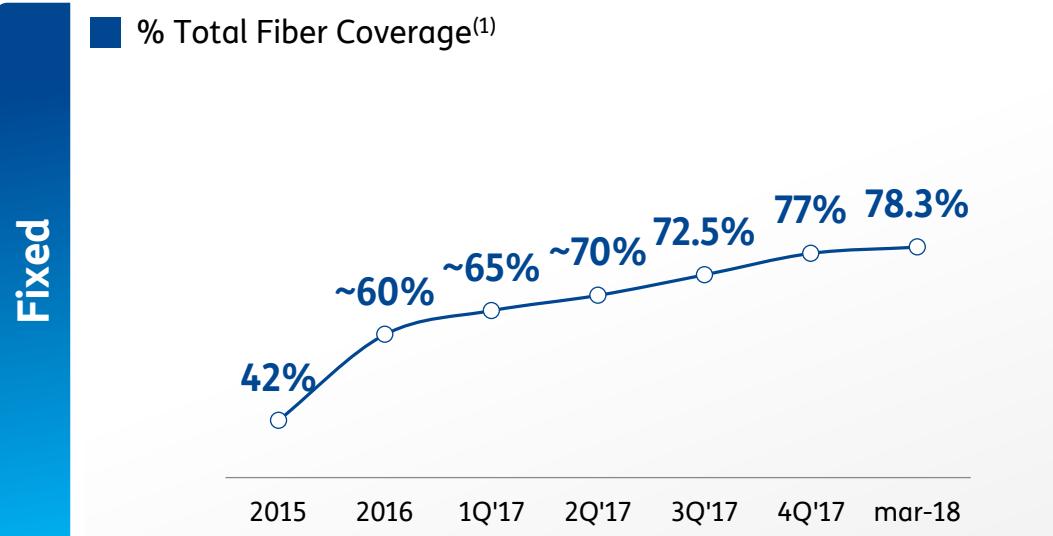


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# Annex



# Domestic UBB Networks: 1Q'18 Update



# Domestic 1Q'18 Net of One-off items

Organic data, figures in €mln, Δ YoY

	I Quarter			
	Actual 2018	Actual 2017	Δ abs	Δ %
<b>REVENUES</b>	<b>3,709</b>	<b>3,636</b>	<b>+73</b>	<b>+2.0</b>
One-off items	3	16	(13)	
Roaming Like At Home	(8)	-	(8)	
Change in modem sale terms	11	16	(5)	
Net of One-off items	<b>3,706</b>	<b>3,620</b>	<b>+86</b>	<b>+2.4</b>
<b>SERVICE REVENUES</b>	<b>3,399</b>	<b>3,331</b>	<b>+68</b>	<b>+2.0</b>
One-off items	(8)	-	(8)	
Roaming Like At Home	(8)	-	(8)	
Net of One-off items	<b>3,407</b>	<b>3,331</b>	<b>+76</b>	<b>+2.3</b>
<b>EBITDA</b>	<b>1,628</b>	<b>1,642</b>	<b>-14</b>	<b>-0.9</b>
One-off items	(2)	33	(35)	
Roaming Like At Home	(10)	-	(10)	
Change in modem sale terms	8	13	(5)	
Rebate	-	19	(19)	
Net of One-off items	<b>1,630</b>	<b>1,609</b>	<b>+21</b>	<b>+1.3</b>

# TIM Group 1Q'18 – IFRS 9-15 impacts

As from January 1, 2018, **IFRS 9 (Financial Instruments)** and **IFRS 15 (Revenues from Contracts with Customers)** have to be applied. In order to allow comparison of the results for the first quarter of 2018 with those for the same period of the previous year, financial statements data are also prepared under previous accounting principles.

## IFRS 9

Impacts the **determination of expected losses on trade receivables** and other financial assets (change from the *incurred loss* model provided by IAS 39 to the *expected credit loss* model).

## IFRS 15

Impacts the **revenue recognition of fixed and mobile offerings as well as the recognition of relevant contractual costs**, without any impacts on cash flows.

Reported data, €mln, Rounded numbers	Revenues			Services Revenues			EBITDA			
	1Q18 old IFRS	Δ IFRS 15	1Q18 new IFRS	1Q18 old IFRS	Δ IFRS 15	1Q18 new IFRS	1Q18 old IFRS	Δ IFRS 9	Δ IFRS 15	1Q18 new IFRS
<b>TIM Group</b>	<b>4.742</b>	<b>-33</b>	<b>4.709</b>	<b>4.393</b>	<b>-22</b>	<b>4.371</b>	<b>1.893</b>	<b>-9</b>	<b>-67</b>	<b>1.817</b>
<b>Domestic</b>	<b>3.709</b>	<b>-28</b>	<b>3.681</b>	<b>3.399</b>	<b>-23</b>	<b>3.376</b>	<b>1.533</b>	<b>-9</b>	<b>-54</b>	<b>1.469</b>
<b>Brazil</b>	<b>1.037</b>	<b>-4</b>	<b>1.033</b>	<b>998</b>	<b>1</b>	<b>999</b>	<b>365</b>	<b>0</b>	<b>-12</b>	<b>353</b>

# DigiTIM 2018-'20 Strategic Plan

## Best in class customer engagement

Leadership positioning

Cash-flow generation

Agile organization

### Domestic

#### 1 Consumer

- Sustain premium base through convergence (data and exclusive content)
- Extract more value from CB accelerating fiber migration and new avenues of growth
- Transform customer engagement through Digital journeys and new simplified portfolios

#### 2 Business

- Sustain traditional revenue base through convergence, fiber and VOIP migration
- Accelerate evolution towards an "ICT Company" to capture new growth opportunities (e.g., cloud, ICT on SMEs)

#### 3 Wholesale

- Sustain traditional revenues through fiber migration (e.g., NetCo)
- Step-change growth of non-regulated sales by radically improving customer engagement
- Optimize coverage to improve competitive positioning

#### 4 TIM Brasil

- Win share on affluent segments (e.g., post-paid SMB) leveraging premium infrastructure and improving customer digital engagement
- Further deliver on fixed and mobile UBB by expanding coverage
- Accelerate cash generation through smart CAPEX and efficiency program

#### 5 Inwit

- Strengthen leadership on Italian tower market leveraging on new mobile opportunities and leading network densification phase

#### 6 Sparkle

- Sustain traditional business, expand commercial footprint on new geographies and accelerate data/VAS services

#### 7 OPEX efficiency

- Create a lean efficient and zero-based cost structure leveraging the digital transformation and data analytics

#### 8 CAPEX effectiveness

- Maximize value driven CAPEX deployment leveraging current UBB infrastructure

#### 9 Digital

- Enable superior customer engagement and omnichannel experience while unlocking efficiency

#### 10 Advanced Analytics and AI

- Implement leading capabilities to capture value both on customer engagement (e.g., predictive CLM) and cash flow generation (e.g., predictive maintenance)

#### 11 People, culture & organization

- Drive accountability, transparency and performance based culture via agile organization and high employee engagement

#### 12 Execution

- Drive implementation pace and drastically streamline internal processes with end-to-end Transformation Office

# TIM 2018-'20 Targets

GOALS	DRIVERS	TARGETS / KPIs
<b>Sustain Top Line &amp; Profitability</b>	<ul style="list-style-type: none"> <li>Focus on value maximization via accelerated convergence and new services</li> <li>Drive digital and analytics as core differentiators (both cost and revenues)</li> <li>Look for growth in and outside the core (eg. Cloud, IoT, Mobile Advertising, Data Monetization)</li> <li>In Italy, TIM Fixed UBB lines (Retail + WHS) to grow to ~9 million by 2020 (3x 2017 figure)</li> </ul>	<ul style="list-style-type: none"> <li>Domestic Service Revenues : Broadly Stable</li> <li>Domestic EBITDA: Low single digit 2017-'20 CAGR<sup>(1)</sup></li> <li>Brazil &amp; Inwit: Continued Growth in Revenues and Ebitda<sup>(2)</sup></li> </ul>
<b>Strong Deleverage and drop in Capex Intensity</b>	<ul style="list-style-type: none"> <li>Enhanced cash generation, supported by operational and financial discipline, will lower our Group Net Debt/Ebitda ratio by end 2018</li> <li>Domestic Capex / Sales moving back to normal intensity, having now completed catch-up phase</li> </ul>	<ul style="list-style-type: none"> <li>Group Adj. NFP/EBITDA ~2.7x in 2018, further reducing both in 2019 and 2020<sup>(3)</sup></li> <li>Domestic Capex/Sales &lt;20% by YE2019</li> </ul>
<b>Relevant Step-up in 3-Years Cumulated Free Cash Flow</b>	<ul style="list-style-type: none"> <li>Selective growth investments to maximize ROI</li> <li>Lower capital intensity following network rollout</li> <li>Reduce costs while improving customer satisfaction through agile customer journey redesign</li> </ul>	<ul style="list-style-type: none"> <li>2018-'20 Group Cumulated Equity Free Cash Flow of ~€4.5bn<sup>(4)</sup> excluding spectrum and pre-dividend</li> </ul>

# TIM Brasil 2018-'20 Targets

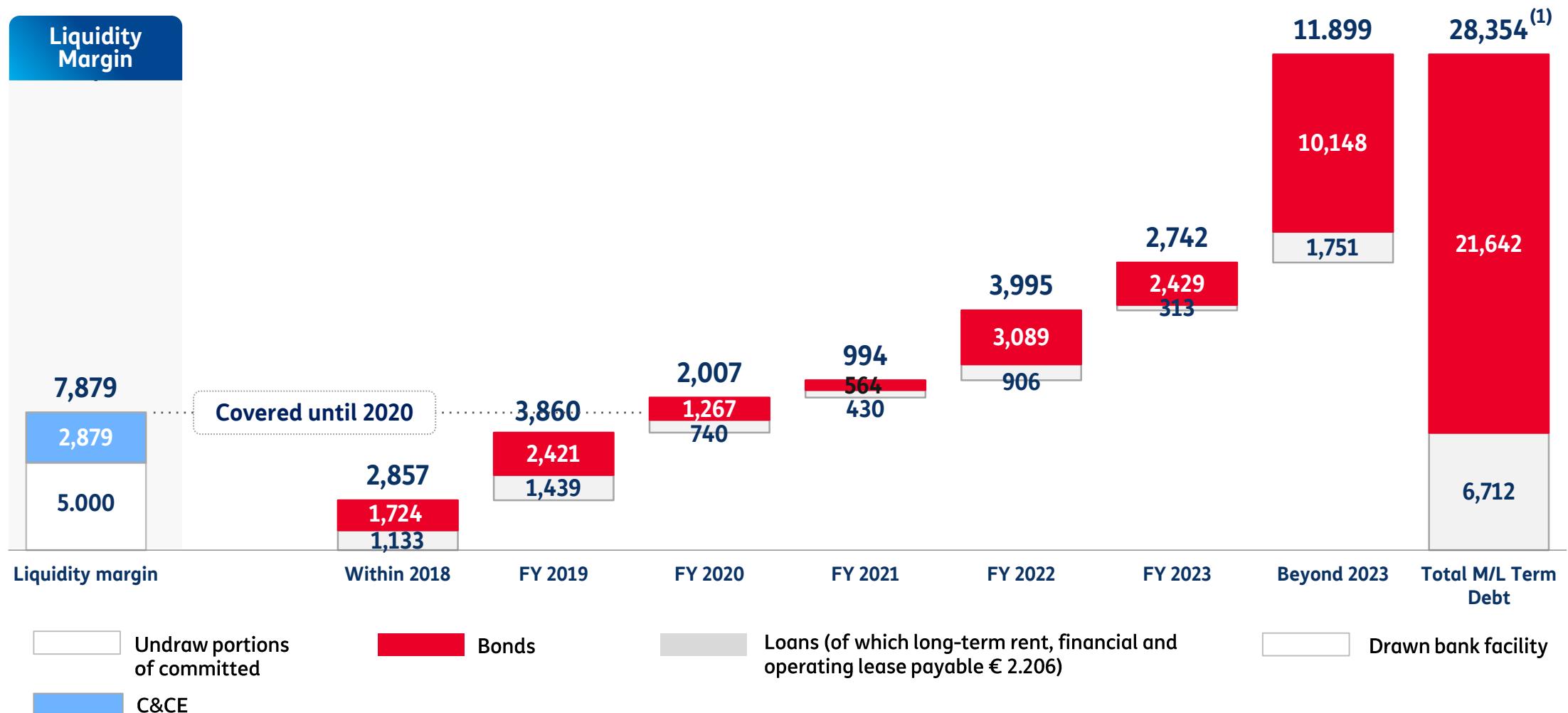
GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
<b>Sustain Top Line Growth</b>	<ul style="list-style-type: none"> <li>• Further improve Mobile Service Revenue Share</li> <li>• Expand Residential BB Revenues contribution</li> </ul>	Service Revenues Growth: <b>5-7% in 2018</b>	Service Revenues Growth: <b>Mid to High Single Digit CAGR '17-'20</b>
<b>Improve Profitability</b>	<ul style="list-style-type: none"> <li>• Zero Base approach on Traditional Efficiency</li> <li>• Capture Digitalization initiatives potencial</li> </ul>	EBITDA: <b>Double Digit growth in 2018</b>	EBITDA Margin: <b>≥40% in 2020</b>
<b>Expand Cash Generation</b>	<ul style="list-style-type: none"> <li>• Smart Capex “More with less” approach</li> <li>• Optimize Tax Rate</li> <li>• Optimize Debt and Shareholders’ Remuneration</li> </ul>	Ebitda-Capex on Revenues: <b>≥13% in 2018</b>	Ebitda-Capex on Revenues: <b>≥20% in 2020</b> Capex: <b>~12B R\$ in '18-'20 (~20% on Rev. in 2020)</b>

# Inwit 2018-'20 Targets

GOALS	DRIVERS	SHORT TERM TARGETS / KPIs	LONG TERM TARGETS / KPIs
Maintain leadership	<ul style="list-style-type: none"> <li>Maintain top-of-mind positioning on asset quality</li> <li>Additional tenants on existing towers</li> <li>Lead network densification phase</li> </ul>	Tenancy Ratio: <b>1.9x tenants per site in 2018</b>	Revenues Growth: <b>Mid single Digit CAGR '17-'20</b>
Address next generation infrastructures market	<ul style="list-style-type: none"> <li>Reinforce leadership on small cell neutral host market</li> <li>Start sharing model on fiber backhauling</li> <li>Prepare for “5G driven” new services</li> </ul>	New Sites: <b>0,6k sites by 2018</b> Small Cells: <b>4k remote units in 2018</b>	CAPEX: <b>300 mln € in 2018/20</b>
Improve cash-flow generation	<ul style="list-style-type: none"> <li>Win stake of demand from new players and FWA</li> <li>Take off of new businesses</li> <li>Keep up lease cost renegotiation effort and lean organization</li> </ul>	EBITDA: <b>Low Teens CAGR '15-'18</b>	Recurring FCF*: <b>Low Teens CAGR '17-'20</b>

# Maturities and Liquidity Margin

€mln

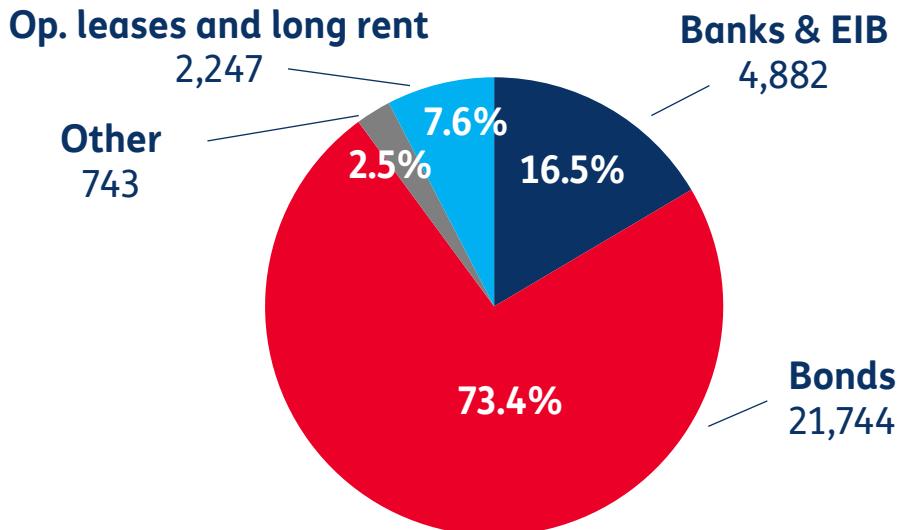


(1) € 28.354 mln is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (€ 612 mln) and current financial liabilities (€ 650 mln), the gross debt figure of € 29.616 mln is reached.

1Q'18 Results

# Well Diversified and Hedged Debt

€mln



<b>Gross debt</b>	€	29,616
<b>Financial Assets</b>	€	(4,079)
<b>of which C&amp;CE and marketable securities</b>	€	(2,879)
- C & CE	€	(1,680)
- Marketable securities	€	(1,199)
- Government Securities	€	(506)
- Other	€	(693)
<b>Net financial position</b>	€	25,537

N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:

- the impact on Gross Financial Debt is equal to € 1,664 mln (of which € 179 mln on bonds)
- the impact on Financial Assets is equal to € 707 mln

Therefore the Net Financial Indebtedness is adjusted by € 957 mln.

N.B. The difference between total financial assets (€ 4,079 mln) and C&CE and marketable securities (€ 2,879 mln) is equal to € 1,200 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 778 mln, financial receivables for lease for € 107 mln, deposits beyond 3 months for € 101 mln and other credits for € 214 mln.

## Maturities and Risk Management

**Average m/l term maturity:**  
7.60 years (bond only 7.79 years)

**Fixed rate portion on gross debt approximately 71.6%**

**Around 32% of outstanding bonds (nominal amount) denominated in USD and GBP and is fully hedged**

**Cost of debt: ~4.6 %**