

*Monte Titoli S.p.A.*

*Financial statements  
for the year ended 31  
December 2020*

Monte Titoli S.p.A.

REGISTERED OFFICE: Piazza degli Affari 6 – 20123 MILAN  
SHARE CAPITAL € 16,000,000 – ECONOMIC & ADMINISTRATIVE INDEX MILAN NO. 980806  
ENROLLED IN THE MILAN BUSINESS REGISTER AND TAX CODE NO. 03638780159  
and GROUP VAT NO. 10977060960  
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION OF  
LONDON STOCK EXCHANGE GROUP HOLDINGS ITALIA S.p.A.

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## FINANCIAL HIGHLIGHTS

<b>Financial Highlights</b>		
<i>(amounts in thousands of euro)</i>		
<i>Economic indicators</i>	Financial Year 01/01/20 - 31/12/20	Financial Year 01/01/2019 - 31/12/2019
Net Revenues (*)	71,912	71,013
Ebitda	41,752	40,509
<i>Ebitda margin</i>	58.1%	57.0%
Ebit	34,118	31,878
<i>Ebit margin</i>	47.4%	44.9%
Net profit	27,911	21,193
(as % of Revenue)	38.8%	29.8%
ROE	26.0%	20.4%
Dividends	27,840	21,120
<i>Equity indicators</i>	Financial Year 01/01/20 - 31/12/20	Financial Year 01/01/2019 - 31/12/2019
Shareholders' Equity	110,615	103,832
(**) Net Financial Position (- debt / + cash)	95,076	90,610
<i>Efficiency indicators</i>	Financial Year 01/01/20 - 31/12/20	Financial Year 01/01/2019 - 31/12/2019
Average number of employees	120	123
Revenue/employees	599	577
Ebit/employees	284	259

(\*) Commissions receivable - Commissions payable + other revenues

(\*\*) Net Financial position = Cash in hand + current financial assets less current and non current financial assets (excluding intercompany agreements).

# **REPORT ON OPERATIONS OF MONTE TITOLI S.P.A. FOR THE YEAR ENDED 31 DECEMBER 2020**

Dear Shareholders,

The financial statements as of 31 December 2020, which the Board of Directors presents for your approval, show a net profit of 27,911,177 euro.

## **MONTE TITOLI AND THE REFERENCE CONTEXT**

In 2020 Monte Titoli's revenues increased by 3.06%, despite the pandemic crisis negatively compressing the prices of securities listed on the stock exchange, impacting as a consequence Custody revenues during the year. Revenues linked to the payment of dividends also saw a sharp reduction (€ 0.7 million) owing to the postponement of dividend payments decided by companies, in particular banks on the advice of the ECB. The decline of corporate issues, in particular by banks, which began in 2014 stabilised over 2020, despite a further slight reduction (€ 527 billion the annual average).

Management's efforts in 2020 continued to be focused on cost saving and on simplifying processes/services through a detailed analysis of the operating processes based on the Lean Six Sigma method.

Customer coverage during the year was characterised by a context of continual significant regulatory changes such as the introduction of the settlement penalty for CSDR, the Shareholder Rights Directive II and Brexit.

The pandemic crisis made it impossible to meet both domestic and international customers but other digital channels were activated and made it possible to strengthen the relationship with customers and promote the company's services in an efficient manner.

The Team that manages relations with customers concentrated on the opportunities deriving from full implementation of T2S and on the strategic choices of the large international financial institutions to be able to take advantage of the new operating context.

It must be stressed that the decisions in this sense were slowed down by the impacts of Brexit and the pandemic, but resumed in the last quarter of the year with an interest on the part of a number of leading Financial Institutions in opening an account directly at Monte Titoli.

In the context of services to issuers of certificates and Covered Warrants, Monte Titoli together with the colleagues of the markets, simplified the admission processes with a

significant reduction in time-to-market and in the documentation, and introducing payment agent services in line with the issuers' expectations.

Together with leading banks and market operators Monte Titoli began to promote the development of an efficient Domestic Commercial Papers market.

Another important objective for Monte Titoli in the last few years has been to expand corporate communication on the social channels, to enhance our brand and increase the dialogue with existing and potential customers.

Starting from 2019 the number of messages published has been intensified, increasing the number of posts to arrive at having a constant presence on the LinkedIn platform (>80 posts in 2020).

The followers of the Monte Titoli profile increased from 997 in February 2019 to more than 3500 in February 2021, recording 50% growth only in the last year.

In operational terms, as of 31 December 2020 Monte Titoli processed, through the T2S platform, 51.1 million instructions in total, settling on average 97% of these on the same day.

The custody system managed volumes of € 3,475 billion, of which approximately € 234 billion are represented by foreign financial instruments centralised through other Central Depositories.

As of 31 December 2020, 2,764 issuers and 197 intermediaries, including domestic and foreign Central Counterparties as well as other CSDs, accessing the Italian financial market through Monte Titoli, were participating in Monte Titoli's system. In 2020, Monte Titoli completed according to the plans set forth with the 2018-2020 Agility & Growth programme, a three-year investment formulated to address two strategic objectives:

- making operating processes more efficient;
- digital transformation.

The revision of the Operating Processes, not only achieved the quantitative objective set for the three years 2018-2020 to revise 80% of the 88 core processes, implementing 24 robots in production, but also adopted successfully the Lean Six Sigma method in order to analyse in a structured manner the processes being analysed. This qualitative aspect can claim as of today that more than 85% of staff have received an "L6S Awareness" session, and that 4 Black Belts and more than 20 Green Belts have been trained.

Monte Titoli, after achieving the quantitative objective set for the three years '18-'20 for revision of its operating processes, also shared successfully the Lean Six Sigma method in the Post Trade Division of LSEG, defining its milestones and beginning a first revision (proof of concept) which made it possible to appreciate opportunities and prospects for the use of this method in the Group.

Monte Titoli also continued with its L6S awareness policy, increasing further the number of its resources with Green Belt certificates, now almost 30% of its population. Finally, the set of actions to revise and increase the efficiency of processes, together with other initiatives aimed at cost savings, made it possible to consolidate further the reduction of the same by more than 27% since the end of 2015. At the level of the second pillar of the project, that of digital transformation (Data Analytics), we completed already during 2020 the new IT architecture necessary to support the new Data Analytics structure. This change enabled the creation of more than 30 Digital Dashboards built using the opportunities

offered by Tableau and that were made available to customers, the Monte Titoli management and the various operating structures; bringing with them an increase in both quality and quantity of the information available and finally unleashing a sharp improvement in the control of the processes, with a related decrease in operational risks. These Dashboards will be instruments constantly in evolution for quality and quantity, based on the availability of the data uploaded daily onto the Data Lake (in Cloud) supported by Amazon Web Services and will be able to expand their quality and usefulness according to the needs of their user of reference.

On 24 September 2019 London Stock Exchange Group Holdings Italia S.p.A. and its Italian subsidiaries exercised the option for the establishment of the VAT Group, governed by articles from 70-bis to 70-duodecies of Italian Presidential Decree no. 633/1972.

The option is effective from 1 January 2020 and will have a three-year duration, with automatic renewal from year to year, unless revoked.

As a result of the option, the group is considered as a single subject for VAT purposes, so both the performance of services and sales of goods between subjects belonging to the VAT Group are not relevant for the purposes of value added tax. Sales of goods and the performance of services made by a subject that belongs to the VAT Group to an external subject, are considered made by the VAT Group; sales of goods and the performance of services made by an external subject to a subject in the group are considered made to the VAT Group.

## **2.1 THE MAIN MONTE TITOLI INITIATIVES**

The decision to support the offering of products and services directed at Italian Issuers was confirmed, especially with regard to debt instruments.

In particular we believe that market conditions and the regulatory framework are gradually attracting Italian Issuers' interest towards the issuing of debt instruments on the domestic market.

The funding instrument, known as the Yankee Bond, 10 years after its introduction in Italy, confirmed the role of Monte Titoli as Issuer CSD and Fiscal Representative with 2 new issues in 2020 for a total nominal value issued of 2.5 billion US dollars.

The ever more constant discussions and interactions with leading law offices and investment banks made possible the introduction, for the first time in Italy, of a new financial instrument called bonds with PIK ("payment in kind") option which following the first issue in 2017, saw at the end of 2020 a total of 33 bonds issued for a nominal value of € 3.8 billion.

Finally, greater structured collaboration for the presentation of available services and products with Borsa Italiana, which began in 2019, confirmed the choice of the ExtraMOT-Pro platform for the listing of ABS instruments also in 2020 for a total of 15 ABSs and € 25.5 billion in nominal value.

From a strictly regulatory point of view, we submitted a legal constraint to the supervisory authorities, dating from 1994, for which banks could not issue commercial papers in Italy, but which through their foreign vehicles did so outside of Monte Titoli. Thanks to our analysis, which confirmed that this legislative provision was now anachronistic, the Relaunch decree (Italian Law Decree 34/2020), converted into Italian Law no. 77/2020, in practice eliminated this legislative reference, on the one hand confirming the analyses

done and on the other now enabling banks to use this further short-term funding instrument with issues of commercial papers directly in Italy.

During 2020 a series of services were introduced in response to regulatory initiatives and requests of participants. Specifically, in full observance of the date of entry into force of the Shareholders' Rights Directive II, Monte Titoli coordinated the technical forum in which all the main domestic "stakeholders" participated and implemented the first stage of adjustments provided for in the directive.

In October 2020, to meet the requests of a number of important participants, an important project entitled "Account Operator" was implemented. The objective of this project is to give every Monte Titoli member the possibility of delegating to a third party, also a member, the management of corporate actions through the SWIFT 15022 channel of one more securities accounts. At the same time as this important development, the SWIFT 15022 messaging was supplemented and perfected for corporate actions, with a view to ensuring compliance with international "best practices".

## 2.2 FINANCIAL RESULTS

The 2020 financial year closed with a net result of 27.9 million euro (21.2 million euro at 31 December 2019).

Total gross operating revenues in the period amounted to 96.7 million euro (93.9 million euro at 31 December 2019), of which 57.4 million euro (57.5 million euro at 31 December 2019) for custody services, 35.6 million euro (32.7 million euro at 31 December 2019) for clearing and settlement services, 3.7 million euro for fiscal services (3.6 million euro at 31 December 2019) and other services 0.1 million euro (0.1 million euro at 31 December 2019). The intermediation commissions paid to the foreign CSDs and to the ECB amount to 24.8 million euro (22.8 million euro at 31 December 2019).

<b>Custody</b>	<b>31/12/20</b>	<b>31/12/19</b>	<b>% Change</b>
<b>Values of securities (€/billions)</b>	<b>3,475.0</b>	<b>3,391.0</b>	<b>2.5%</b>
Government bonds	2,116.6	1,976.8	7.1%
Bonds	513.1	562.3	-8.8%
Shares and CW	580.5	621.8	-6.6%
Deposits for judicial authorities	4.1	3.9	4.0%
NCS D	123.9	121.3	2.2%
ICS D	136.8	104.9	30.4%

<b>Settlement Instructions (ml)</b>	<b>31/12/20</b>	<b>31/12/19</b>	<b>% Change</b>
Settlement Instructions (double counted - ML)	51.1	44.4	15.0%

Costs relating to the structure and management were consistent with the activities performed. In detail, staff costs amounted to € 13.9 million (€ 13.8 million at 31 December 2019).

Other administrative expenses including intercompany costs amounted to € 16.1 million (€ 16.5 million at 31 December 2019) in line with the previous year. Depreciation and amortisation amounted to € 7.6 million (€ 8.6 million at 31 December 2019).

The net operating margin is equal to 33.7 million euro, compared to 31.7 million euro for the financial year ended at 31 December 2019.

In the balance sheet fixed assets, net of valuation allowances, amount to 11.0 million euro mainly consisting of investments in intangible assets. The decrease of 3.1 million euro in intangible assets is mainly attributable to the amortisations for the period.

The Company Equity is equal to 110.6 million euro, and includes the operating profit for the financial year ended 31 December 2020 amounting to 27.9 million euro and is composed for 16 million euro by the Share Capital, for 3.2 million euro by the legal reserve, for 8 million euro by the Fund (as provided for by the CONSOB regulation) for the implementation of centralized management, clearing and settlement activities, and for 55.5 million euro by other reserves.

## **2.3 INFORMATION RELATING TO EMPLOYEES AND THE ENVIRONMENT**

As of 31 December 2020, the organizational structure is made up by a total of 106 employees (105 at 31 December 2019): 8 Executives, 71 Middle Ranking Managers and 27 employees, as well as 30 employees seconded from other companies of the Group, and 15 employees seconded to other companies of the Group. The average age is 51.1 years and 32% of the workforce is female.

The average length of service is 23.2 years. During the financial year, no casualties at the workplace occurred among employees listed in the employee payroll register, nor were there any serious accidents at the workplace and/or charges relating to professional illnesses from employees or former employees.

From the beginning of the pandemic (COVID-19) the company adopted a safety protocol aimed at protecting its employees through recourse to structural Smart Working which continued for the whole of 2020 and is still going on.

The company adopted, starting from 14 March 2020, *the shared Protocol regulating measures for countering and containing the spread of the Covid-19 virus in the workplace* which provides for a series of measures (organisational and procedural) aimed at guaranteeing the health of employees, contractors and visitors.

The risk assessment document (RAD) was updated to also take Covid-19 risk into consideration, although for employees it is not a professional risk.

The company, in addition, successfully maintained the certification of the management system for occupational health and safety ISO 45001.

## **2.4 RESEARCH AND DEVELOPMENT**

Given the activity carried out by the Company, it does not engage in research and development.

## **2.5 RISK ASSESSMENT**

Monte Titoli is the Italian central securities depository, authorised under the terms of European Regulation No. 909/2014 (CSDR Regulation), which operates a securities settlement system through the T2S platform and provides mainly notarial, centralised accounting and liquidation services, and ancillary services of a non-banking kind that do not entail credit or liquidity risks connected with the settlement service or the notarial and bookkeeping services at the highest level. The risks of Monte Titoli, which may have an



impact on the financial statements items or give rise to liabilities, are therefore not necessarily those typical of financial companies but are mostly operational risks.

The business risk management policy, the Risk Management Framework (RMF), reflects the provisions contained in the aforementioned Regulation (EU) No. 909/2014.

The Risk Management Framework provides for the adoption of a model structured along three defence lines, which ensures an adequate system for risk mitigation and an internal control system that operates efficiently and effectively.

In particular:

The first line of defence is represented by the business and corporate units, responsible for the identification, measuring, management, monitoring and reporting of the company's risks and which give regular notification to the second line of defence, according to a defined communication process; the second line of defence is made up of the Risk Management and Compliance units, respectively responsible for the defining the risk management process and for compliance with the legislation and the company's policies. These units perform an independent control of the activities of the first line of defence concerning the assessment and management of risks and compliance with the company's policies and the applicable legislation; the third line of defence consists of the Internal Audit unit, which has the task of providing an independent assurance to the Board of Directors with regard to the effectiveness of the internal control and risk governance systems.

The fundamental document that governs the Risk Management activities is the Risk Appetite Framework, which defines the risk propensity that the company is willing to accept in achieving its strategic objectives. The Risk Appetite Framework is integrated into the corporate governance and supported by the Risk Management Framework. The Risk Appetite Framework is defined and documented by the Risk Committee.

The Board of Directors checks its consistency with the strategic objectives. The 2020 Risk Appetite Framework was approved by the Board of Directors meeting held on 27 November 2019. The company risk profile is monitored regularly, and presented to the Board of Directors during Board meetings.

The risk revision process is based on the risk management operating procedure, which is formulated in terms of the international ISO 31000 guidelines. The annual Risk Management activities plan has been approved by the Board of Directors.

The most significant risks are illustrated below. These are risks which may adversely affect the business and which are specific to the sector in which the company operates.

### **Legal Risk**

Monte Titoli operates in a regulated sector and, as such, in addition to complying with the provisions of corporate law as well as national and European provisions of law and regulations, must comply with the authorisation requirements to operate as a Central Depository and is subject to the supervision of the Bank of Italy and Consob.

Accordingly, Monte Titoli engages in open dialogue with the Supervisory Authorities and constantly monitors regulatory changes.

Moreover, procedures that ensure compliance with the applicable provisions of law and regulations are adopted and constantly updated.

The Supervisory Authorities interact with Monte Titoli through working teams set up especially for this purpose, before proposing new regulations or changes that may have an impact on the Company's core business.

The Company constantly follows the regulatory developments and keeps an open dialogue with the Supervisory Authorities both at national and European level.

### **Competition**

The greatest challenges regarding competitors might come from other Central Security Depositories in Europe, which supply a wider range of services including banking.

Monte Titoli carefully monitors competitor's developments in order to make the business grow, and with the aim of rationalising and making the services offered more efficient as well as developing new functions, it has planned a set of organisational and relational measures that require the involvement of customers in the definition of the requirements, based on formal consultation processes.

The company is well positioned to cope with changes in market scenarios and continues to focus on the development of competitive products, improvements in technology, and ensuring adequate service levels in order to reduce the overall cost of post-trading.

Meetings are periodically organised with customers and industrial associations in order to monitor and assess customer needs (according to the CRM, Customer Relationship Management modality).

### **Business Risk**

A general business risk that Monte Titoli has to face is the loss of revenues.

The risk of loss of income appears mainly in the planning of new products and services.

A specific Group policy for new products and markets instructs on how to handle those situations, when envisaging the introduction of a new activity and/or of a new product.

According to what is set out in the company's policies, it must be ensured that no new risks are introduced. In particular, specific reference is made to the need to evaluate that the return on investments is adequate. The process provides for the drafting of a detailed business case to be discussed and approved by means of proxies and an articulated preliminary evaluation by an appropriate Committee, in preparation of its submission to the Executive Committee and Board of Directors for the final approval.

The mitigation measures for this type of risk provide for: an analysis of the scenarios aimed at identifying the business opportunities and threats, constant contact with the regulatory authorities through participation in public consultations and meetings, participation in national and international work teams.

Monte Titoli also manages the general business risk through adequate civil and criminal liability insurance against damages caused to its members due to negligent behaviour.

### **Operational Risk**

Operational Risks involve the risk that the Company may suffer economic losses, claims for damages from customers, damage to its image or the enforcement of disciplinary measures from the Supervisory Authorities due to system errors and/or malfunctions. Operational risk may derive from human errors (created, for example, by a lack of staff,

little professional refresher training, low quality of human resources), from malfunctioning and anomalies of IT applications (deriving, for example, from inadequate application development methodology, insufficient tests, inadequate software maintenance) or inadequate process architecture.

The operational risk is mitigated through highly automated processes for the reduction of administrative activities and by formalized procedures for all services. The systems and applications that support and provide the services of Monte Titoli are reliable, secure and characterized by a high level of automation. Moreover, prior to being released into production, new applications are tested internally by the competent business divisions, under the coordination of the Testing Management Department, with both inside and outside users, operating in a test environment that is fully separate from production.

Operating procedures, instruction manuals, checklists, automatic and manual data reconciliation, automatic reconciliation of T2S balances, the separation of duties and double checks of transactions carried out by two different people (checker and maker) represent further risk containment procedures.

In particular, on the subject of limiting operational risks and simplifying processes, at the end of 2020 the digital transformation programme Agility & Grow had simplified 80% of the main operating processes identified, thanks also to the introduction of robotics in the automation of the said processes.

From a legal point of view, the contractual framework clearly defines Monte Titoli's area of responsibilities and the rules for participating in the services which customers must comply with, both in national and international contexts in the case of connections to foreign systems linked to Monte Titoli's participation in them.

Insurance coverage protects Monte Titoli from fraud, errors and omissions, in compliance with Monte Titoli Rules.

The Audit function carries out periodic independent controls on the internal operating processes as well as on IT processes, including outsourcing functions.

In order to counter the lack or slow-down in operations due to the inadequacy of the building and the unavailability of technological infrastructure, Monte Titoli has adopted a "Business Continuity Plan" which ensures the continuity and efficiency of its services, restoring the core processes according to the time frames provided by the Recovery Time Objectives (time frame objectives for services recovery).

The above-mentioned plan has been developed in compliance with the provisions laid down by the Bank of Italy on 28 October 2004 (Business Continuity Guidelines), the Rules governing Centralised Management. Settlement and Guarantee Services and relevant Management Companies - Measure of 22.02.2008 updated by Act of Bank of Italy/Consob of 24.12.2010, "LSEG BIA guidelines", the Guidelines on the operational continuity of market infrastructures - May 2014 - issued by the Bank of Italy and approved by the Managing Director and by the Board.

The business continuity plan enables us to remain resilient in the event of unavailability of the office or staff for internal or external reasons (terrorist attacks, fire, floods, pandemics, etc.).

The health emergency due to COVID-19 did not find the Company unprepared: on 24 February 2020 the Business Continuity plan was activated and from 9 March Monte Titoli implemented at 100% remote working for all the employees.

A similar arrangement, up to 50% of the personnel, had already been tested at the beginning of February, before the health situation worsened in Italy: the Monte Titoli team was therefore already duly equipped and ready to work remotely during the emergency.

The Board of Directors appointed a Business Continuity Coordinator responsible for the definition, updating, periodic assessment, as well as the correct implementation of the Plan.

The Plan defines alternative offices, properly equipped with structures and necessary systems for the provision of services in order to continue carrying out business activities.

A human resources plan has been implemented to identify key personnel and their relative back-ups, as well as the Committee to be activated in the case of an emergency.

The back-up procedures also rely on the availability of key personnel to work from home or remotely.

Together with the Business Continuity Plan, Disaster Recovery plans are implemented, agreed with the IT Providers, which allow for the provision of services from an alternative site in the case of the primary site being unavailable.

Disaster Recovery plans are tested at least once a year.

### **Technology**

In order to efficiently compete, Monte Titoli needs to anticipate and respond promptly and efficiently to market demand and to enhance its own technology. In fact, the markets in which it competes are characterized by rapidly changing technology, evolving industry standards, frequent upgrades of existing products and enhancements of offered services, the introduction of new services and products and changes in customers' demands.

The Company's business depends on secure, stable, fast technology and ensures high levels of availability and information processing capacity.

If the systems were not able to evolve to cope with increased demand or did not allow for the required transactions to be performed correctly, Monte Titoli would risk experiencing unanticipated disruptions in services, slower response times and delays in the introduction of new products and services.

In this regard, Monte Titoli again updated its technology during 2020 with regard to part of the infrastructure, basic hardware and software, web-based technology services, with the objective of further consolidating cyber security and the ability to respond to the ongoing requirements of the business sector.

Monte Titoli also continued to progressively improve IT Governance by reviewing and innovating existing control measures vis-à-vis internal and external third party suppliers, to whom Monte Titoli had outsourced part of the ITC services.

In fact, the business risk deriving from service from IT providers that is not perfectly timely and accurate is mitigated by specific contractual terms, which stipulate, among other things, service levels (Service Level Agreements - SLAs) and quantitative parameters (Key Performance Indicators - KPIs). These are monitored and checked on an ongoing basis by the Service Management Department, operating within the Monte Titoli IT Department. This structure also constantly monitors the time required to take charge of and resolve problems/anomalies, by managing the incident management process, based on international methodologies and best practices. During the periodic meetings, generally

held on a monthly basis, the recorded contractual values are analysed for the purpose of ascertaining compliance with the contractual terms, reviewing any problems found, with the objective of identifying appropriate corrective and/or improvement measures, if necessary.

The measures for consolidating IT Governance also refer to cyber security; during 2020 the activities based on the Monte Titoli cyber resilience framework continued; this had been specifically devised and introduced to manage cyber security and defines strategic, organisational and operational guidelines, in line with applicable regulations and the policies adopted at Group level.

More specifically, the governance defined to manage cyber security and the initiatives introduced during 2020 were directed at strengthening data protection measures in terms of confidentiality, integrity and availability.

With regard to the saving of data, this is stored and duplicated inside two physical sites, located in two geographical areas with different morphological features, for the purpose of mitigating the risk deriving from the simultaneous unavailability of the two sites.

The storage procedures like all the procedures and processes used for operational management are subjected to periodic checks, consistently with what is provided and described in the Business Continuity and Disaster Recovery plans.

In addition to the above, the infrastructure, processes and procedures used to provide technological services are subject to an audit at least once a year by the Internal Audit Unit, as required by the applicable regulations issued by the Bank of Italy and Consob.

#### **Italian Legislative Decree 81/2008 Prevention and safety at work**

The Company is subject to the regulations provided for in Italian Legislative Decree no. 81 of 9 April 2008 which lays down the measures for protecting the health and safety of workers.

All employees have received due training on the subject of health and safety in the workplace.

The Chief Executive Officer performs the functions of Employer under the terms of the legislation on the subject of health and safety of workers. On 17 March 2015, the Chief Executive Officer appointed Andrea Perrone Employer's Delegate under the terms of Italian Legislative Decree 81/2008. On 18 May 2017, the appointment of Luca de Simone as Manager of the service for the prevention and protection from professional risks of workers was updated. Fire prevention, first aid and disabled assistance staff were also appointed by the employer's delegate.

On 30 March 2020 the "Risk Assessment Document" was updated.

A Safety Management Manual, finally, was prepared – as for the other group Companies. This represents the Organisational Model pursuant to art. 30 of Italian Legislative Decree 081/08 and constitutes, if effectively adopted, grounds for exemption for the Company from the liability deriving (pursuant to Italian Legislative Decree 231/01 as amended) from the commission of the crimes of manslaughter and serious or very serious culpable injury.

In 2019 the company also received certification according to the recent standard UNI ISO 45001:2018.

## **Financial risks**

### **Exchange rate risks**

The Company is not exposed to significant exchange rate risks, as it operates only marginally in currencies other than the Euro, and receivable invoices are issued to foreign customers in Euro. The more significant exchange rate risk refers to payable invoices related to the accounts with the LSE Group, which are denoted in GBP.

### **Interest rate risks**

There is no funding in place with companies or banking institutions outside the Group.

### **Credit risks**

Credit risk refers to the company's exposure to potential losses arising from counterparties' failure to meet their obligations.

The company does not have a significant concentration of credit risk as its exposure is concentrated among banks and listed companies with a high credit standing.

With regard to trade receivables and contract based activities, Monte Titoli follows the approach adopted by the LSEG Group: specifically, the Group adopts a simplified approach to calculating expected losses. The variations in credit risk are thus not recorded, but rather the total expected loss is recognised at each reporting date. The Group has prepared a matrix system based on historic information, which is revised in view of forecast elements with reference to specific types of debtors and their economic context, and is used as a tool to determine expected losses.

Monte Titoli considers all financial assets measured at amortised cost and classified among the best credit rating categories to be a low credit risk. This refers to all its cash at hand.

Monte Titoli considers a financial asset to be in default when the contract-based payments are overdue by 2 years. In some cases, Monte Titoli could also consider a financial asset to be in default when internal or external information indicates that it is improbable for the Company to fully recover the contract-based amounts, prior to having reviewed the guarantees on the credit it holds. A financial asset is eliminated when there is no reasonable expectation of recovering the contract-based financial flows.

### **Liquidity risks**

Liquidity risk refers to the risk of not being able to meet current or future obligations due to insufficient available financial resources. The company is not exposed to significant liquidity risks.

## **2.6 GOVERNANCE AND LEGAL INFORMATION**

### **Name and registered office**

Monte Titoli S.p.A. Registered office: Piazza Affari 6, Milan. No branch has been set up.

### **Date of incorporation and expiry date of the Company**

The Company was incorporated on 15 February 1978 and will end on 31 December 2049.

### **Companies' Register**

The company is registered at the Chamber of Commerce of Milan, registration no. 03638780159.

### **Legal form**

The Company is an Italian registered joint-stock company.

The following information is not exhaustive and is based on the Bylaws. The full text of the Bylaws is available at the registered office of the Company.

### **Board of Directors**

The Board of Directors was appointed by the ordinary shareholders' meeting of 19 April 2018 for three financial years, which will expire with the Shareholders' Meeting convened to approve the financial statements at 31 December 2020, and is made up as follows:

Paolo Cittadini	Chairman
Raffaele Jerusalmi	Vice Chairman
Mauro Lorenzo Dognini	Managing Director
Lorenzo Guasco	Executive Director with delegated powers for Finance
Marina Forquet Famiglietti	Director
Claudio Grego	Independent Director
Alfredo Maria Magri	Independent Director
Francesca Fiore	Independent Director
Valentina Sidoti	Director

### **Board of Statutory Auditors**

The Board of Statutory Auditors was appointed by the ordinary shareholders' meeting of 19 April 2018 for three financial years, which will expire with the Shareholders' Meeting convened to approve the financial statements at 31 December 2020, and is made up as follows:

Roberto Ruozzi	Chairman
Giuseppe Levi	Statutory Auditor
Mauro Coazzoli	Statutory Auditor
Michela Haymar d'Ettory	Alternative Auditor
Fabio Artoni	Alternative Auditor

### **General Management**

Mauro Lorenzo Dognini	General Manager
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### **Risk Committee**

The Risk Committee, established in compliance with Article 48 of EU Delegated Regulation No 392/2017 became operational in December 2018, and is made up of 3 members, more specifically:

- the Chairperson of the Board of Directors (Paolo Cittadini)
- two independent non-executive Directors (Francesca Fiore and Alfredo Maria Magri, Chairman of the Risk Committee).

### **Remuneration Committee**

The Remuneration Committee, established in compliance with Article 48 of EU Delegated Regulation No 392/2017 is made up of 3 members:

- the Deputy Chairperson of the Board of Directors (Raffaele Jerusalmi)
- two independent non-executive Directors (Francesca Fiore and Claudio Grego, Chairman of the Remuneration Committee)







- reviews and approves the Company's transactions with a significant strategic, economic, equity and financial relevance for the Company;
- attributes and revokes powers to its members, defining the limits and procedures for exercising such powers; also sets the intervals with which the delegated bodies must report to the Board regarding the activities carried out in exercising such powers;
- establishes appropriate committees, with proposing and consultative functions, to support the Board, appointing the members and establishing duties and remuneration;
- establishes the Users Committee, pursuant to EU Regulation 909/2014, and determines its operating rules;
- evaluates the general performance of the Company's management, on the basis of the information received from the directors with delegations, paying particular attention to the situations of conflict of interest and comparing the results obtained with those planned;
- revises and updates the corporate governance tools in line with the requirements of applicable legislation;
- exercises the other powers and performs the duties assigned to it by the law and Bylaws.

The Board of Directors has appointed the following delegated bodies: a Chairman, Vice Chairman, Managing Director and an Executive Director with delegated powers for Finance, and has attributed the relevant management powers to them within the scope of their mandates.

Board members were appointed for a three-year period, which expires on the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020, and may be re-elected.

Those persons who are in possession of the eligibility requirements provided by the applicable provisions of law and regulations may be vested with the office of director. At least one third of the directors in office, but not less than two of them, are independent pursuant to EU Regulation No. 909/2014 (CSDR). The Board of Directors in the first meeting after the appointment or the learning of the fact that the requirements no longer exist, shall resolve upon the existence of the above-mentioned requirements.

In compliance with the provision of the bylaws, the Board of Directors, in exercising the delegation of powers, appointed a General Manager with the eligibility requirements provided for by applicable regulations, who is responsible for the ordinary management within the limits of his mandated powers.

The **Remuneration Committee** has proposing and consultative functions in the matter of staff remunerations, with particular interest in the more significant company representatives and personnel responsible for risk management, compliance control, internal audit and technology functions; it creates and develops the remuneration policy, monitors its implementation through senior management and periodically reviews its proper functioning.

The **Risk Committee** is a consultative committee of the Board of Directors with regard to risk management strategies.

The Committee expresses an opinion on risk, and specifically on the risk appetite framework that is approved annually by the Board of Directors, as stipulated by the Committee's Regulations.

The **Board of Statutory Auditors** is the body responsible for ensuring compliance with the law and the Company's Bylaws, as well as the observance of correct management principles in carrying out the Company's activities, checking the adequacy and the operation of the Company's organizational structure, internal auditing system, administration and accounting system; it is also called upon to give a reasoned proposal to the shareholders meeting at the time of the audit appointment.

The Board of Statutory Auditors also carries out the functions of the Audit Committee, as provided for by Article 48 of EU Delegated Regulation No 392 of 2017.

The members of the Board are appointed for a period of three years and may be re-elected.

Each of the members of the Board of Auditors must possess the requirements of integrity, professionalism and independence applicable by law and the Bylaws.

The **Shareholders' Meeting** is the body that represents all shareholders and is responsible for passing ordinary resolutions regarding the approval of the annual financial statements, the appointment and removal of the members of the Board of Directors, the appointment of members of the Board of Statutory Auditors and the Chairpersons, the determination of the remunerations of directors and auditors, the conferral of the accounting audit appointment and the responsibilities of directors and auditors; on an extraordinary basis, it is responsible for amendments to the Bylaws and extraordinary transactions such as capital increases, mergers and de-mergers, without prejudice to the powers attributed to the Board by Article 21 of the Bylaws, as already mentioned.

The **independent auditing** of the Company's accounts is carried out in compliance with the applicable provisions of law by an auditing firm. The Shareholders' Meeting of 15 April 2015 conferred the relevant appointment, for the term of nine financial years on the basis of the applicable provisions of law, on EY S.p.A. for the financial years ending 31 December 2015 to 31 December 2023 (inclusive).

### **The Company's purpose**

Monte Titoli's exclusive corporate purpose is the provision of centralised management services for financial instruments, as well as the provision of the clearing and settlement services and provision of the gross settlement service for non-derivative financial instruments.

The Company may carry out, also through its subsidiaries and affiliates, activities connected and/or conducive to that of centralized management of financial instruments, as well as ancillary activities to the clearing and settlement service and the gross settlement service, as identified by the regulatory provisions issued by the Supervisory Bodies.

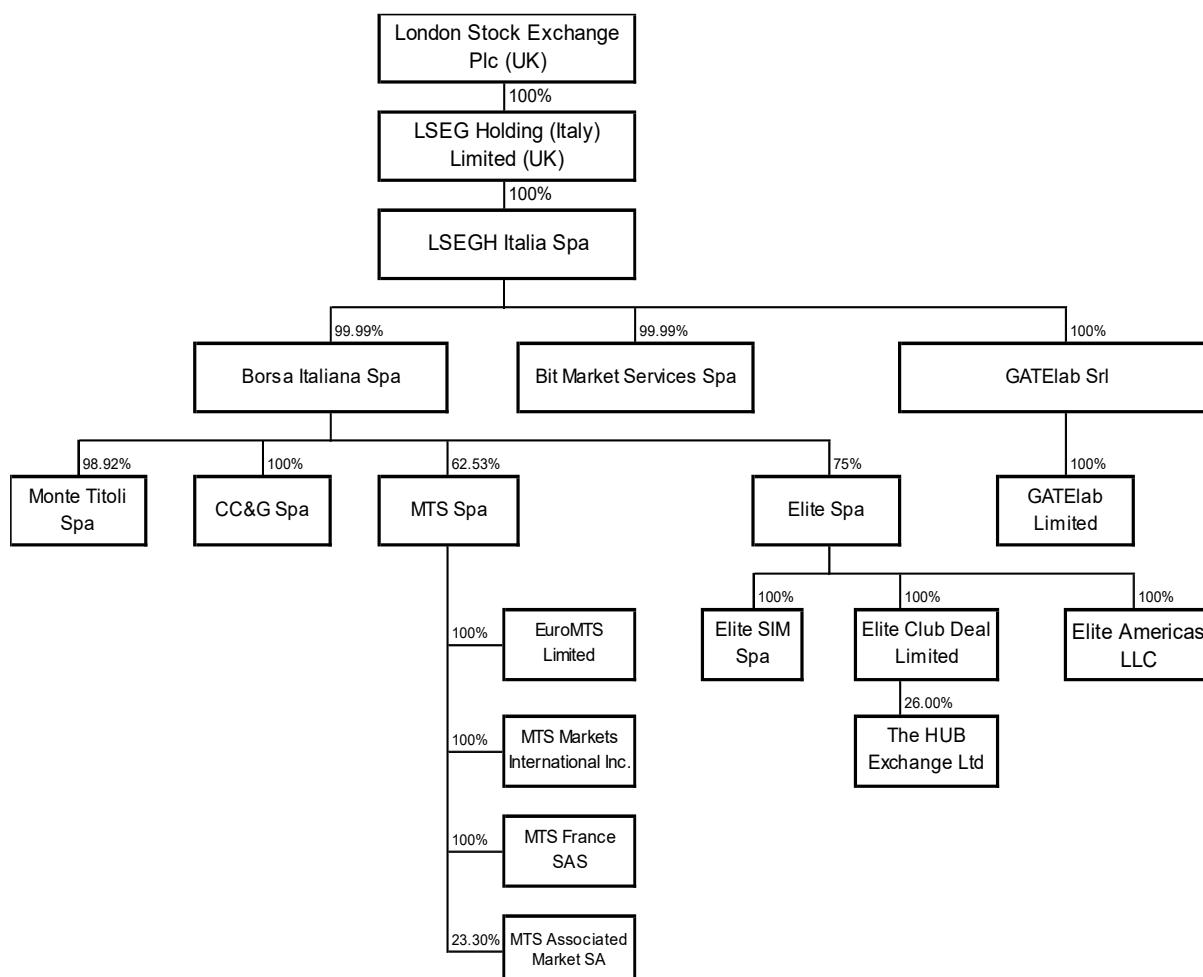
## Share capital

The Company's share capital amounts to € 16,000,000 (sixteen million), which is fully paid up. It is represented by 16,000,000 (sixteen million) ordinary shares with a par value of € 1 (one) each, issued on a dematerialised basis under the existing provisions of law and entered into the centralised system managed by Monte Titoli.

The Company does not hold and during the financial year did not acquire or dispose of, either directly or through trust companies or individuals, any treasury shares or shares in the parent company.

## Group structure

Pursuant to Article 2497 and subsequent of the Italian Civil Code, as of 31 December 2020, Monte Titoli S.p.A. was subject to management and coordination of London Stock Exchange Group Holdings Italia S.p.A., which is in turn controlled by London Stock Exchange Group Holdings (Italy) Limited.



Monte Titoli holds no shareholdings.

## Shareholding structure

The shareholding structure of Monte Titoli S.p.A. as at 31 December 2020 is the following:

Shareholder	Number of Shares	% of total share capital
BORSA ITALIANA S.p.A	15,827,175	98.920
EUROCLEAR BANK SA/NA	160,000	1.000
REALI HOLDING S.r.l.	2,352	0.0147
CELLINO E ASSOCIATI SIM S.p.A.	20	-
Mr Angelo Alessandro COMPOSTELLA	2,681	0.0167
Studio GAFFINO SIM	2,000	0.0125
Ms Letizia SCHIAVETTI	858	0.0054
Ms Lavinia MARCUCCI	858	0.0054
Mr Marco Tullio MARCUCCI	860	0.0054
Mr Michele DE CAPOA	1,598	0.0100
Mr Diego BOSCARELLI	1,598	0.0100
<b>TOTAL SHAREHOLDERS (12)</b>	<b>16,000,000</b>	<b>100</b>

## 2.7 RELATIONSHIPS WITH RELATED PARTIES

Transactions with related parties are detailed in the specific paragraph in the Explanatory Notes.

## **2.8 SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR**

On 9 October 2020, LSEG plc announced that it had signed a contract with Euronext NV for the sale of 100% of the shares of the company London Stock Exchange Group Holdings Italia SpA, the parent company of the Borsa Italiana Group, to which Monte Titoli S.p.A. also belongs, for an amount of € 4.325 billion, plus a further sum that reflects the cash generation up to completion of the operation. Completion of the operation is conditional on, among other things, obtainment of the necessary authorisations from the competent Authorities.

In January 2021, the European Commission approved the merger of LSEG with Refinitiv, accepting LSEG's commitment to sell the shares of London Stock Exchange Group Holdings Italia S.p.A. and of all its subsidiaries.

In February 2021 the European Commission ruled that Euronext NV was a suitable buyer for the acquisition of London Stock Exchange Group Holdings Italia SpA bringing the group one step closer to the conclusion of the operation expected within the first half of 2021.

No further significant events are noted as having occurred after the close of the financial year such as:

- announcement or initiation of reorganisation plans
- capital increases
- undertaking of relevant contractual obligations
- significant litigations arising after the close of the financial year.

## **2.9 APPROVAL OF THE FINANCIAL STATEMENTS AND OF THE REPORT ON OPERATIONS AND PROPOSAL FOR THE ALLOCATION OF PROFITS**

Dear Shareholders,

We invite you to approve the financial statement as of 31 December 2020 (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes), as presented by the Board of Directors, in their entirety and as single items and to allocate the net profit of 27,911,177.37 euro as follows:

- to the Shareholders, as a dividend equal to 1.74 euro for the 16,000,000 ordinary shares with the nominal value of 1 euro each representing the Share Capital, for an overall amount of 27,840,000 euro;
- the remaining profit in the amount of 71,177.37 euro to the Reserves.

The dividend equal to 27,840,000 euro in the amount of 1.74 euro for each of the 16,000,000 ordinary shares shall be payable starting from 4 May 2021.

Milan, 24 March 2021

On behalf of the Board of Directors  
The Chairman  
Paolo Cittadini

Il Presidente

Paolo Cittadini



**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020**

## BALANCE SHEET

<b>ASSETS</b>	<b>31/12/20</b>	<b>31/12/19</b>
40 Financial assets measured at amortised cost	106,271,489	101,330,636
<i>a) receivables from banks</i>	102,885,438	97,995,750
<i>b) receivables from financial companies</i>	2,405,228	2,546,597
<i>c) receivables from customers</i>	980,824	788,289
80 Property, plant and equipment	10,129	25,397
90 Intangible assets	10,992,490	14,112,836
100 Tax assets	5,475,483	157,266
<i>a) current</i>	5,264,727	18,654
<i>b) deferred</i>	210,756	138,612
120 Other assets	422,165	1,008,391
<b>TOTAL ASSETS</b>	<b>123,171,756</b>	<b>116,634,526</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS</b>	<b>31/12/20</b>	<b>31/12/19</b>
10 Financial liabilities measured at amortised cost	6,727,129	6,743,541
<i>a) payables</i>	6,727,129	6,743,541
60 Tax liabilities	-	16,885
<i>a) current</i>	-	-
<i>b) deferred</i>	-	16,885
80 Other liabilities	4,373,420	4,515,604
90 Employee severance indemnity provision	1,455,757	1,526,036
110 Share capital	16,000,000	16,000,000
150 Reserves	66,749,206	66,675,827
160 Valuation reserves	(44,933)	(36,746)
170 Profit (Loss) for the year	27,911,177	21,193,379
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>123,171,756</b>	<b>116,634,526</b>

*All amounts are expressed in euro*



## INCOME STATEMENT

ITEMS	31/12/20	31/12/19
10 Interest receivable and similar revenues	1,084	1,934
20 Interest payable and similar expenses	(429,911)	(222,022)
30 NET INTEREST INCOME	(428,827)	(220,088)
40 Commission income	96,733,560	93,862,946
50 Commissions payable	(24,816,220)	(22,840,303)
60 NET COMMISSIONS	71,917,340	71,022,643
120 INTERMEDIATION MARGIN	71,488,513	70,802,555
130 Net value adjustments for credit risk of:		
<i>a) financial assets measured at amortised cost</i>	(184,508)	(160,098)
160 Administrative expenses	(29,975,611)	(30,343,736)
<i>a) staff costs</i>	(13,854,483)	(13,821,287)
<i>b) other administrative expenses</i>	(16,121,128)	(16,522,449)
180 Net value adjustments on property, plant and equipment	(15,268)	(15,268)
190 Net value adjustments on intangible assets	(7,618,247)	(8,615,919)
200 Other operating income and expenses	(5,491)	(9,734)
210 OPERATING COSTS	(37,799,125)	(39,144,755)
260 PROFIT/LOSS OF CURRENT OPERATIONS BEFORE TAXES	33,689,388	31,657,800
270 Income taxes for the financial year on current operations	(5,778,211)	(10,464,421)
300 PROFIT/(LOSS) FOR THE FINANCIAL YEAR	<b>27,911,177</b>	<b>21,193,379</b>

*All amounts are expressed in euro*

## STATEMENT OF COMPREHENSIVE INCOME

Items	31/12/20	31/12/19
<b>10. Profit (Loss) for the year</b>	<b>27,911,177</b>	<b>21,193,379</b>
<b>Other comprehensive income, net of taxes without reversal to income statement</b>		
20. Equities designated at fair value through other comprehensive income		
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)		
40. Hedging of equities designated at fair value through other comprehensive income		
50. Property, plant and equipment		
60. Intangible assets		
70. Defined benefit plans	(8,186)	(63,393)
80. Non current assets held for sale		
90. Portions of reserves from valuation of shareholdings valued at equity		
<b>Other comprehensive income, net of taxes with reversal to income statement</b>		
100. Hedges of foreign investments		
110. Exchange differences		
120. Cash flow hedging		
130. Hedging instruments (undesignated items)		
140. Financial assets (other than equities) measured at fair value through other comprehensive income		
150. Non current assets and groups of assets held for sale		
160. Portion of valuation reserves of investments carried at equity		
<b>170. Total other income components net of taxes</b>	<b>(8,186)</b>	<b>(63,393)</b>
<b>180. Comprehensive income (items 10 + 170)</b>	<b>27,902,991</b>	<b>21,129,986</b>

*All amounts are expressed in euro*

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2020

	Balances at 31/12/19	Change opening balances	Balances at 01/01/20	Allocation of previous year P&L		Changes in the financial year							Comprehensive income for the financial year	Shareholders' equity 31/12/20
				Reserves	Dividends and other distributions	Changes in reserves	Transactions on Shareholders' Equity					Other changes		
							Issuing new shares	Acquisition own shares	Advances on dividends	Extraordinary dividends distribution	Changes in equity instruments			
Share capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- of profits	53,562,123		53,562,123	73,379										53,635,502
- other	13,113,704		13,113,704											13,113,704
Valuation reserves	(36,747)		(36,747)	-		(8,186)								(44,933)
Advances on dividends	-		-	-										-
Equity instruments														-
Treasury shares														-
Profit (Loss) for the year	21,193,379		21,193,379	(73,379)	(21,120,000)								27,911,177	27,911,177
Shareholders' Equity	103,832,459		103,832,459	-	(21,120,000)	(8,186)	-	-	-	-	-	-	27,911,177	110,615,450

*All amounts are expressed in euro*

*The changes in reserves consist of the impact of the actuarial re-valuation of employee severance indemnity*

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2019

	Balances at 31/12/18	Change opening balances	Balances at 01/01/19	Allocation of previous year P & L		Changes in the financial year							Comprehensive income for the financial year	Shareholders' equity 31/12/19
						Reserves	Dividends and other distributions	Changes in reserves	Transactions on Shareholders' Equity					
				Issuing new shares	Acquisition own shares				Advances on dividends	Extraordinary dividends distribution	Changes in equity instruments	Other changes		
Share capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- of profits	53,465,094		53,465,094	97,221		(192)								53,562,123
- other	13,113,704		13,113,704											13,113,704
Valuation reserves	26,646		26,646	-		(63,393)								(36,747)
Advances on dividends	-		-	-										-
Equity instruments														-
Treasury shares														-
Profit (Loss) for the year	21,697,221		21,697,221	(97,221)	(21,600,000)								21,193,379	21,193,379
Shareholders' Equity	104,302,665		104,302,665	-	(21,600,000)	(63,585)	-	-	-	-	-	-	21,193,379	103,832,459

*All amounts are expressed in euro*

## CASH FLOW STATEMENT

(Direct method)

		D	
A OPERATING ACTIVITIES	Financial year ended 31/12/20	Financial year ended 31/12/19	
<b>1 Operations</b>	<b>35,729,200</b>	<b>29,984,664</b>	
interest income received (+)	1,084	1,934	
interest expenses paid (-)	(429,911)	(222,022)	
dividends and similar income (+)			
commission income	96,733,560	93,862,946	
commissions payable	(24,816,220)	(22,840,303)	
personnel expenses (-)	(13,854,483)	(13,821,287)	
other costs (-)	(16,121,128)	(16,522,449)	
other revenues (+)	(5,491)	(9,734)	
duties and taxes (-)	(5,778,211)	(10,464,421)	
costs/revenues related to discontinued operations net of tax effect (+/-)			
<b>2 Cash flow generated / absorbed by financial assets</b>	<b>(5,391,073)</b>	<b>(1,802,112)</b>	
financial assets held for trading			
financial assets designated at fair value			
other financial assets with mandatory measurement at fair value			
financial assets measured at fair value through other comprehensive income			
financial assets measured at amortised cost	(659,082)	(1,785,297)	
other assets	(4,731,991)	(16,815)	
<b>3 Cash flow generated / absorbed by financial liabilities</b>	<b>(245,759)</b>	<b>27,810</b>	
financial liabilities measured at amortised cost	(16,412)	933,068	
financial liabilities for trading			
financial liabilities designated at fair value			
other liabilities	(229,347)	(905,258)	
<i>Net liquidity generated (absorbed) by operating activity</i>	<b>30,092,368</b>	<b>28,210,361</b>	
<b>B INVESTMENT ACTIVITY</b>			
<b>1 Cash generated by</b>	-	-	
sale of shareholdings	-	-	
dividends received on shareholdings	-	-	
sale of property, plant and equipment	-	-	
sale of intangible assets	-	-	
sale of business units	-	-	
<b>2 Cash flow absorbed by</b>	<b>(4,497,901)</b>	<b>(4,801,671)</b>	
purchases of shareholdings			
purchases of property, plant and equipment	-	15,854	
purchases of intangible assets	(4,497,901)	(4,817,525)	
purchases of business units			
<i>Net liquidity generated (absorbed) by investment activities</i>	<b>(4,497,901)</b>	<b>(4,801,671)</b>	
<b>C FUNDING ACTIVITY</b>			
issuing/acquisition of own shares			
issuing/acquisition of equity instruments	-	-	
distribution of dividends and other purposes	(21,128,186)	(21,663,393)	
<i>Net liquidity generated (absorbed) by funding activities</i>	<b>(21,128,186)</b>	<b>(21,663,393)</b>	
<b>D=A+ B+C CASH FLOW GENERATED (ABSORBED) DURING THE YEAR</b>	<b>4,466,280</b>	<b>1,745,298</b>	
<b>RECONCILIATION</b>			
<b>E Cash and cash equivalents at beginning of the year</b>	<b>90,609,504</b>	<b>88,864,206</b>	
<b>D Total net cash generated (absorbed) during the year</b>	<b>4,466,280</b>	<b>1,745,298</b>	
<b>E + D Cash and cash equivalents at year end</b>	<b>95,075,784</b>	<b>90,609,504</b>	

All amounts are expressed in euro

## **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

### *INTRODUCTION*

The notes are divided into the following parts:

- *Part A: Accounting policies*
- *Part B: Information on the Balance Sheet*
- *Part C: Information on the Income Statement*
- *Part D: Other information*

Each part of the notes is divided into sections, each of which illustrates a single aspect of business management. Sections contain both quantitative and qualitative information.

The quantitative information is made up, as a rule, of items and tables. Items and tables that do not include amounts are not mentioned.

Unless otherwise indicated, the tables are drawn up according to the applicable provisions of law, even though only certain items of the tables are valued.

For some tables, additional information is added following the general criteria of clarity and immediacy in the notes.

The financial statements and the notes are denominated in Euro with rounding off to the nearest euro.

The accounting policies adopted are disclosed to the auditors and, in the cases provided by law, agreed with the same.

## **PART A – ACCOUNTING POLICIES**

### **A.1 GENERAL PART**

#### ***Section 1 – Declaration of compliance with international accounting standards***

The financial statements for the year ended 31 December 2020 were prepared on the basis of going concern assumption and in compliance with IAS/IFRS international accounting standards as illustrated and interpreted by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission.

Section 2 contains all the new principles applicable with effect from 1 January 2020.

#### ***Section 2 – Main principles for reporting***

##### **STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS AT 31 December 2020**

Monte Titoli's operations are governed by the provisions of Italian Legislative Decrees no. 58 of 24 February 1998, and no. 213 of 24 June 1998, as amended and/or supplemented, as well as by the regulatory provisions issued and/or adopted pursuant to the above-mentioned decrees.

The company belongs to the London Stock Exchange Group, and deals with the centralized management of financial instruments, which includes dematerialised instruments pursuant to Italian Legislative Decree no. 213 of 24 June 1998, as well as clearing and gross settlement services for non-derivative financial instruments.

Since 1 January 2005 Monte Titoli S.p.A. has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. The acronym IFRS includes also the International Accounting Standards (IAS) still in force, as well as all the interpretative documents issued by the International Financial Reporting Interpretations Committee (IFRIC) and by the previous Standing Interpretations Committee (SIC).

Moreover, it should be noted that the criteria described below have not changed with respect to the previous financial year.

These financial statements for the financial year ended 31 December 2020 refer to the period from 1 January 2020 to 31 December 2020.

The Financial Statements at 31 December 2020 are made up of the Balance Sheet, Income Statement, Statement of Cash Flows, Statements of Changes in Shareholders' Equity, Statement of Comprehensive Income and the present Explanatory Notes; they are also accompanied by the Statement of Changes in Tangible and Intangible Assets.

The accounting schedules were derived from the models proposed by "Financial Statements of IFRS Intermediaries other than Banking Intermediaries" issued by the Bank of Italy with a measure dated 30 November 2018, also taking into account the Bank of Italy Communication dated 27 January 2021.

The Company's financial statements are subject to audit by EY S.p.A.

## **GROUP TAX REGIMEN**

The Company exercised jointly with the Parent Company London Stock Exchange Group Holdings Italia S.p.A. the option for the national consolidation regimen for the three years 2019 – 2021. The option is irrevocable for three years, unless the requisites for application of the regimen are no longer met and with the possibility of revocation at the end of the three years.

The economic relationships, as well as the reciprocal responsibilities and obligations, between the Company and the parent are defined in the “Regulation for participation in the national consolidation taxation regimen of the group controlled by London Stock Exchange Group Holdings Italia S.p.A.”

The national tax consolidation is an arrangement introduced by the tax reform (Italian Legislative Decree no. 344 of 12 December 2003 and related implementing decrees) which offers groups of companies resident in Italy the opportunity to optimise taxation.

On 24 September 2019 London Stock Exchange Group Holdings Italia S.p.A. and its Italian subsidiaries exercised the option for the establishment of the VAT Group, governed by articles from 70-bis to 70-duodecies of Italian Presidential Decree no. 633/1972.

The option is effective from 1 January 2020 and will have a three-year duration, with automatic renewal from year to year, unless revoked.

As a result of the option, both the performance of services and sales of goods between subjects belonging to the VAT Group are not relevant for the purposes of value added tax. Sales of goods and the performance of services made by a subject that belongs to the VAT Group to an external subject, are considered made by the VAT Group; sales of goods and the performance of services made by an external subject to a subject in the group are considered made to the VAT Group.

## **NEW ACCOUNTING STANDARDS**

The company’s separate financial statements are prepared according to the accounting standards issued by the International Accounting Standards Board (IASB) and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC) and endorsed by the European Commission, as provided for in Community Regulation No 1606 of 19 July 2002 as transposed in Italy by Italian Legislative Decree No 38 of 28 February 2005.

In preparing these financial statements the same accounting standards were used, where applicable, as those adopted in preparing the financial statements for the year ended 31 December 2019. The financial statements have been prepared in accordance with the going concern assumption.



## NEW STANDARDS APPLICABLE FROM THE FINANCIAL YEAR ENDED 31 December 2020

In accordance with IAS 8, the table below shows the new international accounting standards, or the amendments to standards already in force, and the related endorsement Regulations whose application became obligatory from financial year 2020.

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### International accounting standards endorsed at 31.12.2020 and in force from 2020

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Regulation endorsement	Title	Date of entry into force
2075/2019	Amendments to References to the Conceptual Framework (*)	01 January 2020 First financial year starting on 01/01/2020 or later
2014/2019	Amendments to IAS 1 Presentation of Financial Statements - Definition of Material	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material	01 January 2020 First financial year starting on 01/01/2020 or later
34/2020	Amendments to IFRS 9 Financial Instruments - Interest Rate Benchmark Reform (**)	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform (**)	01 January 2020 First financial year starting on 01/01/2020 or later
	Amendments to IFRS 7 Financial Instruments: Disclosures - Interest Rate Benchmark Reform (**)	01 January 2020 First financial year starting on 01/01/2020 or later
551/2020	Amendments to IFRS 3 Business Combinations: Definition of a Business	01 January 2020 First financial year starting on 01/01/2020 or later
1434/2020	Amendments to IFRS 16 Leases - Covid-19-Related Rent Concessions	01 June 2020 First financial year starting on 01/01/2020 or later

(\*) The document updates the references to the Conceptual Framework present in: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32.

(\*\*) Regulation no. 34/2020, endorsed on 15 January 2020, is obligatorily applicable from 1 January 2020, but can be applied in advance for the 2019 Financial Statements.

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The amendments endorsed as above had no significant impacts on the company's financial statements.

## INTERNATIONAL ACCOUNTING STANDARDS ENDORSED BY THE EUROPEAN UNION BUT NOT YET IN FORCE

The table below shows, instead, the new international accounting standards, or amendments to standards already in force, and the related endorsement Regulations by the European Commission, whose obligatory application starts from 1 January 2021 – in the case of financial statements coinciding with the calendar year – or from a later date

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### International accounting standards endorsed at 31.12.2020 with application after 31.12.2020

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Regulation endorsement	Title	Date of entry into force
2097/2020	Amendments to IFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying IFRS 9	01 January 2021 First financial year starting on 01/01/2021 or later
25/2021 (*)	Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021 First financial year starting on 01/01/2021 or later

(\*) Regulation no. 25/2021 was endorsed on 13 January 2021.

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## INTERNATIONAL ACCOUNTING STANDARDS NOT YET ENDORSED BY THE EUROPEAN UNION

We present finally the new international accounting standards, or amendments to standards already in force not yet endorsed by the European Commission.

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### International accounting standards not yet endorsed at 31.12.2020

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Standard/ Interpretation	Title	Publication date
IFRS 17	Insurance Contracts	18 May 2017
Standard/ Interpretation	Amendments	Publication date
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	23 January 2020
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - Deferral of Effective Date	15 July 2020
IFRS 3	Business Combinations	14 May 2020
IAS 16	Property, Plant and Equipment	14 May 2020
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	14 May 2020
IFRS 17	Insurance Contracts	25 June 2020

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## AMENDMENT TO IFRS 16 “LEASES”: COVID-19-RELATED RENT CONCESSIONS

The Covid-19 pandemic has led, in some cases, to the concession by lessors of incentives in favour of the lessees, deferring or reducing some instalments of the contract.

The accounting standard IFRS 16, in the presence of contractual modifications, provides for the redetermination of the liability for instalments payable using a revised discount rate as a balancing entry for the right of use (RoU), therefore without it recognising immediate impacts on the income statement.

The IFRS Foundation approved an amendment to IFRS 16 to clarify whether to account for related incentives following the pandemic on the part of lessors that prepare their financial statements using the international accounting standards.

This amendment, endorsed on 12 October 2020, with the publication of Regulation (EU) 2020/1434, provides for the exemption for lessors from the obligation of assessing whether Covid-19-related incentives represent contractual modifications of the lease. Therefore, if the lessor avails itself of this option it must account for any change in the payments due for the lease deriving from a concession on rents in the same way as it would account for the change as if the latter were not a change in the lease itself, making it possible, therefore, to identify them as “variable rent” with a direct impact on the income statement to reflect the changes in the payments due.

For the purpose of applying this exemption it is necessary for all the following conditions to be met:

- the change made entails consideration equal to or less than the consideration provided for before the same;
- the change is related only to fees in payment up to 30 June 2021;
- no further changes of significant scope are made to the contract.

If an entity applies this expedient it must disclose this in the financial statements.

For the time being no significant impacts are expected from the adoption of the said amendments to the standard IFRS 16.

### ***Section 3 - Events subsequent to the reporting date***

In the period between the date of these financial statements and their approval by the Board of Directors and besides what was already reported in the Directors’ Report on the COVID health emergency, no events have occurred that require an adjustment of the data approved at that meeting. The draft financial statements were approved by the Board of Directors on 24 March 2021 and were authorised for publication on that date (IAS 10).

## **A.2 PART RELATING TO THE MAIN ITEMS OF THE FINANCIAL STATEMENTS**

### **EVALUATION CRITERIA AND ACCOUNTING STANDARDS**

#### **Cash and cash equivalents**

This item includes cash, in euro and other foreign currencies, as well as stamp duties on hand.

If the elements of this item are in euro, they are recorded at the nominal value which equals the fair value, whereas if they are denominated in another currency, they will be recorded at the current exchange rate at the end of the period.

#### **Financial assets measured at amortised cost**

The initial recognition of financial assets is done on the settlement date for debt instruments and on the date of disbursement in the case of receivables. At the time of initial recognition, assets are stated at their fair value, which normally corresponds to the total amount disbursed for costs/incomes directly determined from the start of the transaction, referring to individual instruments, even if they are settled at a subsequent date. Even though they may have the stated characteristics, costs are excluded when they refer to a reimbursement by the debtor counterparty or if they qualify as administrative costs.

Included in this category are financial assets represented by debt instruments, managed within the scope of a "held to collect" business model, where the contractual flows only represent principal payments and interest on the residual principal (Solely Payment of Principal and Interest test – SPPI – passed). Receivables that do not pass the SPPI test are classified under the portfolio of financial assets that must be measured at fair value (see Financial assets measured at fair value impacting the income statement - Item 20).

After the initial recognition, financial assets stated in this category are measured at amortised cost. The amortised cost equals the difference between the gross carrying amount and the provision for losses determined by the expected credit losses.

The gross carrying amount is the amount in the initial recognition, decreased/increased by:

- principal repayments;
- the amortisation of the difference between the amount paid and the amount reimbursable on expiry, represented by initial costs/incomes. The amortisation is calculated based on the effective interest rate method, which considers these costs/income;
- profits/losses from a concession.

The amortised cost method is not used for short-term receivables where the discounting effect would be negligible. A similar criterion is adopted for receivables without a definite expiry or demand receivables).

At the close of each financial period or interim position, financial assets measured at amortised cost are subject to impairment with the recognition of the expected credit losses (over a 12 month time frame or based on the financial instrument's entire life, should the credit risk rise significantly in relation to the financial asset's initial recognition – lifetime expected losses).

Financial assets measured at amortised cost, are classified under three categories (defined as stages) for impairment purposes, in ascending order according to the deterioration in credit quality.

The first category – stage 1 – includes financial instruments that have not undergone a significant increase in the credit risk since initial recognition.

The second category – stage 2 – includes financial instruments that have undergone a significant increase in credit risk, which is measured by taking into account the indicators set by the accounting standard and the relevance these have for the company.

The third category – stage 3 – includes all impaired positions.

Expected credit losses over a 12 month time frame are recognised for financial instruments in the first category. For financial instruments in the other two categories, expected losses are determined over the course of the financial instrument's entire life cycle (lifetime expected losses).

### **Property, plant and equipment**

Property, plant and equipment are evaluated at purchase cost. The cost includes ancillary costs as well as direct and indirect costs for the amount that can be reasonably allocated to the asset.

Costs incurred for routine and/or cyclical maintenance and repairs are directly allocated to the income statement for the financial year in which they were incurred.

The amounts are recorded net of any impairment losses and amortization.

Property, plant and equipment are systematically depreciated every financial year in relation to their estimated useful life. The latter is determined with reference to the remaining possibility of use of the assets.

The estimated useful life of each category of fixed asset is shown in the table below:

<b>Property, plant and equipment</b>	<b>Useful life</b>
Automatic data processing systems	3 years
Plant and equipment	3 years
Furniture and Furnishings	3 years

Depreciation begins the first day of the month on which the asset is available for use.

The company assesses, once a year, if there is any indication that assets may have suffered impairment loss compared to the book value recorded in the financial statements. In the presence of such indications the asset recoverable amount is determined to estimate the extent of the possible impairment.

### **Intangible Assets**

As required by IAS 38, intangible assets recorded in the financial statements need to possess the following characteristics: they must be identifiable, they must be able to produce future economic benefits and they must be controlled by the company.

These assets are valued at purchase cost. The cost includes ancillary costs as well as direct and indirect costs for the amount that can be reasonably allocated to the asset.

The amounts are recorded net of any impairment losses and amortization.

Intangible assets are systematically depreciated every financial year in relation to their estimated residual useful life.

The estimated useful life for intangible assets is indicated in the table below:

<b>Intangible Assets</b>	<b>Useful life</b>
Software licenses	3 years
Application Software development costs	3 years

Depreciation begins the first day of the month on which the asset is available for use.

The company verifies, at least once a year, if there is any indication that intangible assets could have undergone impairment loss compared to the book value recorded in the financial statements. In the presence of such indications the recoverable amount of the asset is estimated in order to determine the extent of the possible impairment loss.

### **Rights of use and financial liabilities**

In accordance with the provisions of the standard IFRS 16, which came into force and was adopted starting from 1 January 2019, the Company accounts for a right of use when it holds control over an asset it does not own for a period of not less than 12 months and when this asset is not of "low value". The corresponding fixed asset is initially recognised at cost and amortised on a straight line basis along the shorter time period between the duration of the leasing contract and the estimated useful life. The cost is calculated as the financial liability for the leasing, plus all other ancillary costs and net of any incentives received. The duration of the leasing is instead equal to the non-modifiable term of the contract, plus any option for extension or reduction due to interruption clauses which, on the basis of the management's judgement, are reasonably likely to be exercised.

The financial liability for the leasing is calculated as the net present value of the future payments that will be made on the basis of the terms provided for in the leasing contract. If the contract provides for extension or interruption clauses, the management uses its judgement to determine whether these are reasonably likely to be exercised.

Since the Company, as also the Group it belongs to, does not have external sources of financing, the net present value of the future payments was calculated using as the rate for discounting the interest rate of intragroup loans, 1.4%.

The financial liability thus determined corresponding to the payments provided for within the next year was classified among current liabilities, while the remainder among non-current liabilities.

The main quantitative information related to rights of use and financial liabilities recognised in the Company's financial statements in application of the standard IFRS 16 is presented below:

<b>Rights of use</b>			
	<b>Rights of use</b>	<b>Depreciation</b>	<b>Net value</b>
<b>€ 000</b>	<b>2020</b>	<b>2020</b>	<b>2020</b>
Cars	33	30	3
<b>Total</b>	<b>33</b>	<b>30</b>	<b>3</b>

### Financial payables for leasing

€ 000	2020
<b>Analysis by maturity - Gross contractual cash flows (not discounted)</b>	
Less than one year	3
from 1 to 5 years	-
More than 5 years	-
<b>Total gross cash flows</b>	<b>3</b>
<b>Total financial payables</b>	<b>3</b>
Current	3
Non-current	-

The discounting rate used is 1.40% conventionally understood as the internal rate of return of cash and cash equivalents

### Amounts to income statement

€ 000	2020
Interest on financial liabilities recognised on leases	-
Depreciation	15
Aggregate annual cost of short-term leases	-
Aggregate annual cost of leases of low value assets	-

### Current and deferred taxation

Current taxes are calculated on the basis of the existing legislation concerning the taxation of the Company's income, and are recorded in the income statement on an accrual basis, while in the balance sheet they are shown net of any tax receivables and advance payments.

Deferred taxation is calculated:

- on the basis of temporary differences between the book value of an asset or a liability according to accounting criteria and the recognised taxable value;
- on the basis of temporary differences in the taxability of income.

A deferred tax asset is recognized in the balance sheet only when there is reasonable certainty of the recovery through the emergence of taxable income in future years.

### Impairment loss of assets

The Company checks the recoverability of the book value of its tangible and intangible assets in order to determine whether there are signs that these assets have suffered an impairment loss. In the presence of such indications the recoverable amount of the asset is estimated in order to determine the extent of the possible impairment loss.

If it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable value of the cash generating unit to which the asset belongs.<sup>1</sup>

<sup>1</sup> The recoverable value of an asset is the higher of its current value less costs to sell and its value in use. Where the current value is calculated as the consideration obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties and the value in use of an asset is calculated by discounting estimated future cash flows, net of taxes, at a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment is recorded if the recoverable amount is below the book value. This impairment is restored in the event that the reasons that led to impairment no longer exist.

### **Non-current assets and groups of assets held for sale**

This item includes non-current assets whose book value will be recovered through their sale. They are valued at their net book value or the related fair value net of the sales costs, whichever is the lower. In the event that an asset subject to depreciation is classified in this category, the depreciation process stops at the time of the reclassification.

Recording of this item takes place at the time when the sale is considered highly probable or when the management at a certain level is committed to the disposal of the asset and the procedures to identify the buyer and complete the process have started. Furthermore, in the event that the disposal involves an operating asset, the gain and losses related to this asset are classified in a single amount in the income statement.

As required by IFRS 5, the purpose of which is to prescribe the accounting treatment for assets held for sale and the manner of presentation in financial statements of discontinued operations and related disclosures, an entity needs to classify a medium/long term asset (or a disposal group) as 'held for sale' (to be sold) if its book value will be recovered principally through a sale transaction rather than through continued use.

The necessary conditions for the classification in this item of the financial statements are that: the asset (or disposal group) is immediately available for sale in its present condition, the sale is highly probable and it occurs within 12 months. A further condition is that the asset is put on sale at a "reasonable" value compared to its fair value.

### **Other assets**

This item includes the assets which cannot be related to other asset items in the balance sheet.

### **Financial liabilities measured at amortised cost**

Initial recognition of liabilities is done on the signing of a contract or on the date the invoice (or other debt document) is received. Liabilities are initially recorded at the amount for the services received, based on the amount set in the contract.

Liabilities include: trade liabilities for services received or placement commissions to be paid to placement agents, based on the contract terms.

The above are short-term liabilities, and are therefore recognised at their nominal value (discounting effect is not significant).

Debts are cancelled once they are extinguished.

### **Other liabilities**

This item includes liabilities which cannot be attributed to other liability items in the income statement.

### **Employee severance indemnity**

The employee severance indemnity (hereinafter TFR) pursuant to article 2120 of the Italian Civil Code is subject to an actuarial valuation, based on assumptions regarding the



employees' length of service and the remuneration received during a specific period of service.

The entry in the financial statements of defined benefit plans requires an estimate - based on actuarial techniques - of the amount for the benefits accrued by employees for the work carried out during the current and previous years and the discounted value of such contributions, in order to determine the present value of the company's commitments.

The calculation of the current value of the company's commitments is performed by an external expert according to the Projected Unit Credit Method, considering only accrued seniority at valuation date, the years of service accrued at the valuation reference date and the total average seniority reached at the time the benefit payment is expected. Moreover, the aforementioned method entails the consideration of future salary increases, regardless of the reason (inflation, career progress, contracts renewals, etc.) until the termination of the employment.

Regulation No 475/2012 endorsed the amendments to IAS 19, as approved by the IASB on 16 June 2011, with the objective of rendering the financial statements understandable and comparable, above all with regard to defined benefit plans.

The most important amendment refers to the elimination of different admissible accounting treatments for recording plans with defined benefits and the consequent introduction of a single method that provides for the immediate recognition in the statement of comprehensive income of the discounted profits/losses deriving from the evaluation of the obligation.

In relation to the previous accounting layout adopted, the principal effect refers to the elimination of the recording in the income statement, with immediate recognition in the statement of comprehensive income and, therefore, in the shareholders' equity, of the changes in value of the obligations and of the assets servicing the plan.

### **Share based payments**

Payments to employees based on shares of the Parent Company London Stock Exchange Group plc are recognised by reporting the portion of the share allocation plan at cost in the Income Statement, determined at fair value on the date of assigning the plan and taking into account the terms and conditions at which such instruments are assigned.

For the purpose of alignment with the Group policies, effective 1 January 2016 the relevant debt is recorded among current liabilities - short-term Intergroup Debts (up to 31 December 2015, the debt was recorded in an appropriate reserve under Shareholders' Equity).

If they are SBPs identified as Equity Settled an increase is recorded in the corresponding Equity reserve in accordance with IFRS 2.

In addition to the cost of the share allocation plan, the portion of Employee Severance Indemnity that the company must settle or pay at the end of the accrual period is shown in the Income Statement by recording an increase in the relevant liabilities.

### **Revenue and costs recognition**

For the purposes of recognising revenue, IFRS 15 is based on the principle of transferring control, and not only the transfer of risks and benefits.

The new standard requires that the contract identifies all performance obligations, where applicable, each with its own revenue recognition model. An analysis of the performance obligations therefore forms the basis for the recognition of each revenue component relating to the different products and/or services offered.

Services are deemed to have been transferred once the customer gains control thereof.

Revenue arising from the rendering of services is not recognised in the income statement while there is a strong possibility that a significant reversal could occur. Costs are recognised at the time they are incurred.

### **Financial income and expenses**

Financial income and expenses are recorded, using the actual interest rate, on an accrual basis of interest accrued on the net value of the relevant financial assets and liabilities.

### **Taxes**

Current taxes are recognised on the basis of the estimate of the taxable income in accordance with the current rules and taking into account the applicable exemptions and the tax credits due in the context of the national tax consolidation.

In the case of negative taxable incomes the tax income on these losses is recognised, only in the case of verified capacity on the part of the national tax consolidation.

Income taxes related to previous years, including any monetary sanctions and interest accrued, are included in the income tax expense of the year.

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of the assets and liabilities and the corresponding value attributed to them for tax purposes, adopting the tax rates expected to be applicable in the years in which the temporary differences mature.

Deferred tax assets are shown net of deferred tax liabilities, or vice versa, if this offsetting is possible, on the basis of the type and maturity of the differences that originated them.

Deferred tax assets are recognised when there is reasonable certainty of their realisation through adequate taxable incomes in the years in which the deductible temporary differences will mature.

The tax benefit connected with the retainable tax losses, not accounted for in the context of the national tax consolidation, is recognised only when there are, at the same time, the following conditions:

- there is reasonable certainty of their recovery on the basis of the capacity of the Company or of the Group national tax consolidation, as a result of the option related to the "tax consolidation", to produce future taxable incomes;
- the tax losses in question derive from clearly identified circumstances and it is reasonably certain that these circumstances will not be repeated.

The deferred tax assets and liabilities related to a transaction or a fact recognised directly in Equity are recognised adjusting the corresponding equity item.

### **Use of estimates and assumptions in the preparation of the current financial statements**

Estimates and assumptions were used in drawing up these Financial Statements, which may affect the values recorded in the balance sheet, income statement and explanatory notes.

In particular, subjective evaluations were primarily made by the Company's management in the following cases:

- the quantification of losses for the impairment of financial assets, having particular regard to receivables;
- the evaluation as to the congruence in the value of intangible assets;
- the quantification of provisions made for personnel and for risks and charges;
- the actuarial and financial assumptions for the determination of the liabilities linked to defined benefit plans for employees and share-based payments;
- the estimates and assumptions on the recoverability of deferred tax assets.

For the purpose of formulating reasonable estimates and assumptions for recording management operations, these are formulated by means of subjective evaluations based on the use of all available information and past experience.

### **Business continuity and main risks and uncertainties**

As already mentioned in the previous reports, in Document no. 2 of 6 February 2009 and again in no. 4 of 3 March 2010, the Bank of Italy, Consob and Isvap have requested that financial reports provide information that is indispensable for a better understanding of the Company's performance and prospects.

Having regard to these recommendations and with reference to the precondition of business continuity, it is noted that the Financial Statements at 31 December 2019 were prepared based on the perspective of business continuity, there being no reasons to consider that the Company will not continue operating in the foreseeable future. In fact, no aspects were found in the equity and financial structure and in the operating performance that would lead to uncertainties on this issue. Information on the risks and uncertainties to which the Company is exposed are described in the context of this report.

The information on financial risks and operational risks are described in the Explanatory Note below referring to the subject of risks. Checks were done when preparing the financial statements, with regard to ascertaining any impairments to intangible assets, based on analyses that provide for the verification of impairment indicators and the determination of a possible devaluation.

### **A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS**

There were no reclassifications of financial assets during the year.

## **A.4 INFORMATION ON FAIR VALUE**

Fair value is the amount at which an asset (or liability) can be exchanged in a transaction between independent parties having a reasonable degree of knowledge of market conditions and the relevant facts related to the subject of negotiation.

The definition of fair value includes the assumption that an entity is fully operational and does not need to liquidate or significantly reduce the asset, or undertake transactions on adverse terms.

The fair value reflects the instrument's credit quality since it incorporates counterparty risk.

In March 2009, the IASB issued an amendment to IFRS 7 introducing a series of changes designed to provide an adequate response to the need for greater transparency, resulting from crisis in the financial markets and the high-level of uncertainty in market prices.

The disclosure on the so-called "fair value hierarchy" is particularly important because it requires specific information to be provided on financial instrument portfolios, by classifying these in relation to three levels of fair value.

### *Disclosure of quantitative information*

For financial instruments, fair value is determined based on the prices obtained from financial markets in the case of instruments listed on active markets or by using internal valuation models for other financial instruments.

A market is considered active if listed prices, representing actual and regularly occurring market transactions on an appropriate reference period are readily and regularly available through an exchange, dealer, broker, industry group, and pricing service or authorized entities.

The valuation technique defined for a financial instrument is adopted over time and is modified only following significant changes in market conditions or if there are subjective changes to the issuer of the financial instrument.

Financial instruments are measured at fair value in accordance with the classes required by IFRS 13, as follows:

- *Level 1*: Quoted prices (without adjustments) on the active market as defined by IFRS 13 for assets or liabilities to be measured.
- *Level 2*: Inputs other than quoted prices included in the preceding paragraph, that are observable either directly (as prices) or indirectly (derived from prices) on the market.
- *Level 3*: The fair value of instruments classified at this level is determined on the basis of evaluation models that mainly use significant inputs not observable on active markets and, therefore, entails estimates and assumptions by the management.

If financial assets are valued without observable market data, the valuation of these financial assets at cost is considered correct. In this case the valuation is preceded by an impairment test aimed at assessing the existence of significant and permanent impairments.

In the case of significant and lasting loss of value, the financial asset previously valued at cost is depreciated, aligning the book value to the current value.

With a specific resolution, the Board of Directors adopted objective parameters regarding the significance and durability of losses that must be observed when it is necessary to depreciate.

Financial instruments are recorded in the financial statements at their fair value on the same date.

In case of financial instruments other than those at fair value recorded in the income statement, the fair value at the entry date is usually assumed to be equal to the amount received or paid.

In case of financial instruments measured at fair value recorded in the income statement and classified at level 3, the possible difference against the amount received or paid could theoretically be recognized under the relevant items in the income statement determining a so-called "day one profit/loss" (DOP).

This difference must be shown in the income statement only if it originates from changes in the factors (including the time effect) used by market participants to set prices.

If the instrument has a definite maturity and a model is not immediately available to monitor the changes in the factors on which pricing is based, the DOP is recorded in the income statement systematically over the life of the financial instrument itself.

### Disclosure of quantitative information

#### *A.4.5 Fair value hierarchy*

In these financial statements there were no changes in the classification of the financial instruments within the fair value hierarchy.

#### *A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non recurring basis: division by fair value levels.*

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total at 31/12/2020				Total at 31/12/2019			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	106,271,489			106,271,489	101,330,636			101,330,636
2. Property, plant and equipment held for investment purposes								
3. Non current assets and groups of assets held for sale								
<b>Total</b>	<b>106,271,489</b>	-	-	<b>106,271,489</b>	<b>101,330,636</b>	-	-	<b>101,330,636</b>
1. Financial liabilities measured at amortised cost	6,727,129			6,727,129	6,743,541			6,743,541
2. Liabilities associated with assets held for sale								
<b>Total</b>	<b>6,727,129</b>	-	-	<b>6,727,129</b>	<b>6,743,541</b>	-	-	<b>6,743,541</b>

#### *A.4.6 Other Information*

At 31 December 2020, there is no information to be reported pursuant to IFRS 13, paragraphs 51, 93 (i), 96 since:

- there are no assets measured at fair value on the basis of the "highest and best use";
- the Company did not avail itself of the option of measuring fair value at the level of overall portfolio exposure, for the purpose of taking into account the offsetting credit risk and the market risk of a specific grouping of financial assets or liabilities;

- there were no exceptions with reference to the accounting policy.

*A.5 Day one profit / loss*

Monte Titoli had no "day one profit / loss" from financial instruments in accordance with paragraph 28 of IFRS 7 and the other related IAS / IFRS provisions.

## ANALYSIS OF ITEMS IN THE FINANCIAL STATEMENTS

**AT 31 December 2020<sup>2</sup>**

### PART B – INFORMATION ON THE BALANCE SHEET

#### **BALANCE SHEET – ASSETS**

##### **Section 1**

CASH AND CASH EQUIVALENTS (item 10)

There are no cash, cash equivalents in gold or foreign currencies.

##### **Section 4**

FINANCIAL ASSETS MEASURED AT AMORTISED COST (item 40)

This item amounts to 106,271,489 euro, (101,330,636 euro) and refers for 95,075,784 euro to account balances with banks, 11,195,705 euro to invoices issued or to be issued for services rendered.

#### *4.1 Financial assets measured at amortised cost: breakdown by type of receivables from banks*

Breakdown	Values at 31/12/2020						Values at 31/12/2019					
	BV			Fair value			BV			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
<b>1. Bank deposits and accounts</b>	<b>95,075,784</b>	-	-			<b>95,075,784</b>	<b>90,609,505</b>	-	-			<b>90,609,505</b>
<b>2. Loans</b>												
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring												
with recourse												
without recourse												
2.4 Other loans												
<b>3. Debt instruments</b>												
structured securities												
other debt instruments												
<b>4. Other assets</b>	<b>7,809,654</b>	-	-			<b>7,809,654</b>	<b>7,386,245</b>	-	-			<b>7,386,245</b>
Receivables from Italian Banks	5,501,857	-	-			5,501,857	5,334,668	-	-			5,334,668
Receivables from Foreign Banks	2,307,797	-	-			2,307,797	2,051,577	-	-			2,051,577
Receivables from Group companies												-
<b>Total</b>	<b>102,885,438</b>	-	-			<b>102,885,438</b>	<b>97,995,750</b>	-	-			<b>97,995,750</b>

Receivables vis-à-vis Italian and foreign banks refer to trade receivables for services rendered.

Third stage receivables amounted to € 4,518 and were fully covered in provisions for the impairment of receivables.

(2) The values shown in the tables are expressed in euro. For the items not analysed in an appropriate table the corresponding value at 31 December 2019 is shown in between brackets.

First and second stage receivables are recognised net of the impairment related only to receivables classified in the second stage.

#### 4.2 Financial assets measured at amortised cost: breakdown by type of receivables from financial companies

Breakdown	Values at 31/12/2020						Values at 31/12/2019					
	BV			Fair value			BV			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
<b>1. Loans</b>												
1.1 Repurchase agreements												
1.2 Financial leasing												
1.3 Factoring												
with recourse												
without recourse												
1.4 Other loans												
<b>2. Debt instruments</b>												
structured securities												
other debt instruments												
<b>3. Other assets</b>	<b>2,405,228</b>	-	-			<b>2,405,228</b>	<b>2,546,597</b>	-	-			<b>2,546,597</b>
Receivables from Italian financial institut	958,376	-	-			958,376	1,042,461	-	-			1,042,461
Receivables from foreign financial institut	129,692	-	-			129,692	102,010	-	-			102,010
Receivables from Group companies	1,317,160	-	-			1,317,160	1,402,126	-	-			1,402,126
<b>Total</b>	<b>2,405,228</b>	-	-	-	-	<b>2,405,228</b>	<b>2,546,597</b>	-	-	-	-	<b>2,546,597</b>

The item "Receivables from Group companies" includes the receivables from the companies Gruppo Borsa Italiana S.p.A., Cassa di Compensazione e Garanzia S.p.A., MTS S.p.A. LSE Plc, LCH Clearnet SA and LCH Ltd.

Third stage receivables amounted to € 3,688 and were totally written off.

First and second stage receivables are recognised net of the impairment related only to receivables classified in the second stage.

#### 4.3 Financial assets measured at amortised cost: breakdown by type of receivables from costumers

Breakdown	Values at 31/12/2020						Values at 31/12/2019					
	BV			Fair value			BV			Fair value		
	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3	First and second stage	Third stage	of which: acquired or originated impaired	L1	L2	L3
<b>1. Loans</b>												
1.1 Financial leasing												
1.2 Factoring												
• with recourse												
• without recourse												
1.3 Consumer loans												
1.4 Credit cards												
1.5 Loans related to payment services provided												
1.6 Other loans												
Loans to Group companies												
<b>2. Debt instruments</b>												
structured securities												
other debt instruments												
<b>3. Other assets</b>	<b>980,824</b>	-	-			<b>980,824</b>	<b>788,289</b>	-	-			<b>788,289</b>
Receivables from Italian customers	965,527	-	-			965,527	779,364	-	-			779,364
Receivables from foreign customers	15,297	-	-			15,297	8,925	-	-			8,925
Receivables from Group companies	-	-	-			-	-	-	-			-
<b>Total</b>	<b>980,824</b>	-	-	-	-	<b>980,824</b>	<b>788,289</b>	-	-	-	-	<b>788,289</b>

Third stage receivables amounted to € 42,239 and were totally written off.

First and second stage receivables are recognised net of the impairment related only to receivables classified in the second stage.

The receivables devaluation provision at 31 December 2020, which amounts to 314,603 euro is deemed adequate for the adjustment of the Company's receivables based on IFRS 9.



The Company has no significant concentration of credit risk in respect of customers, since the exposure is split over a large number of counterparties, mainly banks, financial intermediaries and listed companies.

The following table shows the breakdown of receivables vis-à-vis customers outside the Group, with reference to maturity periods, mainly relating to receivables with a maturity of 30 days amounting to € 10,853,042.

	<b>Values at 31/12/20</b>	<b>0-90 days</b>		<b>90-120 days</b>	<b>over 120 days</b>
Banks	7,809,654	7,797,724	69.6%	-	11,930 0.1%
Financial Institutions	2,405,227	2,322,191	20.7%	24,918 0.2%	58,118 0.5%
Clients	980,824	733,127	6.5%	10,552 0.1%	237,145 2.1%
	<b>11,195,706</b>	<b>10,853,042</b>	96.9%	<b>35,471</b> 0.3%	<b>307,193</b> 2.7%

#### 4.5 Financial assets measured at amortised cost: gross value and total adjustments in value

	<b>Gross amount</b>				<b>Total value adjustments</b>			<b>Total partial write-offs</b>
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
<b>Debt instruments</b>	-							
<b>Loans</b>	-							
<b>Other assets</b>	106,271,489	95,075,784	255,375	59,228	-	255,375	59,228	-
<b>Total 31.12.2020</b>	<b>106,271,489</b>	<b>95,075,784</b>	<b>255,375</b>	<b>59,228</b>	-	<b>255,375</b>	<b>59,228</b>	-
<b>Total 31.12.2019</b>	<b>101,330,636</b>	<b>88,864,207</b>	<b>163,446</b>	<b>111,096</b>	-	<b>163,446</b>	<b>111,096</b>	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-

The table below shows the gross value and the overall value adjustments, broken down according to risk level and write-off disclosure.

## Section 8

### TANGIBLE ASSETS (item 80)

#### 8.1 Tangible assets held for operating purposes: breakdown of assets measured at cost

Assets/values	Total at 31/12/2020	Total at 31/12/2019
<b>1. Owned assets</b>		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
f) investments in progress and advances	7,584	7,584
<b>2. Assets acquired under financial leases</b>		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other	2,545	
f) investments in progress and advances		17,813
<b>Total</b>	<b>10,129</b>	<b>25,397</b>

#### 8.6 Property, plant and equipment held for operating purposes: annual changes

	Land	Buildings	Furniture	Instrumental systems	Others	Investments in progress and advances	Long-term hires	Total
<b>A. Opening balance</b>	-	-	-	-	-	<b>7,584</b>	<b>17,813</b>	<b>25,397</b>
<b>B. Increases</b>								
B.1 Purchases								
B.2 Write-backs								
B.3 Increases in fair value recognised in:								
a) shareholders' equity								
b) income statement								
B.4 Other changes								
<b>C. Decreases</b>								
C.1 Sales								
C.2 Amortisation and depreciation							15,268	<b>15,268</b>
C.3 Adjustments due to: impairment recognised in:								
a) shareholders' equity								
b) income statement								
C.4 Decreases of fair value recognised in:								
a) shareholders' equity								
b) income statement								
C.5 Other changes								
<b>D. Final balance</b>	-	-	-	-	-	<b>7,584</b>	<b>2,545</b>	<b>10,129</b>

## Section 9

### INTANGIBLE ASSETS (item 90)

#### 9.1 Intangible assets: breakdown

Items/Masurement	Total at 31 December 2020		Total at 31/12/2019	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
<b>1. Goodwill</b>				
<b>2. Other intangible assets</b>				
2.1 own assets				
produced in-house				
other				
- start-up and expansion costs				
- concessions, licenses, similar rights				
- other intangible assets	10,048,953		9,296,054	
- investments in progress and advances	943,537		4,816,782	
2.2 acquired with financial leases				
<b>Total</b>	<b>10,992,490</b>	<b>-</b>	<b>14,112,836</b>	<b>-</b>

The decrease in assets in progress is attributable to the amortisations over the period.

Other intangible assets include the cost to use the applications managing custody and settlement services.

#### 9.2 Intangible assets: annual changes

	Total
<b>A. Opening balance</b>	<b>14,112,836</b>
<b>B. Increases</b>	
B.1 Purchases	4,497,901
B.2 Write-backs	
B.3 Increases	
in fair value recognised in:	
a) shareholders' equity	
b) income statement	
B.4 Other changes	8,371,146
<b>C. Decreases</b>	
C.1 Sales	
C.2 Amortisation and depreciation	7,618,247
C.3 Adjustments due to:	
impairment recognised in:	
a) shareholders' equity	
b) income statement	
C.4 Decreases	
of fair value recognised in:	
a) shareholders' equity	
b) income statement	
C.5 Other changes	8,371,146
<b>D. Final balance</b>	<b>10,992,490</b>

### 9.3 Intangible assets: Other information

Other intangible assets (measured at cost)	Amounts at 01/01/20	Increases	Decreases	Amortisation	Amounts at 31/12/20
Start-up and expansion costs	1,006,330				1,006,330
- amortisation to date	(1,006,330)				(1,006,330)
Concessions, licenses, similar rights	4,323,166				4,323,166
- amortisation to date	(4,323,166)				(4,323,166)
Other intangible assets (1)	65,122,334	8,371,146			73,493,479
- amortisation to date	(55,826,279)			(7,618,247)	(63,444,526)
Investments in progress and advances (1)	4,816,780	4,497,901	(8,371,146)		943,537
<b>Total</b>	<b>14,112,836</b>	<b>12,869,047</b>	<b>(8,371,146)</b>	<b>(7,618,247)</b>	<b>10,992,490</b>

(1) Other intangible assets mainly comprise the cost of applications in use managing custody and settlement services.

(2) Assets in progress are mainly represented by advance payments relating to the upgrade maintenance of the custody and settlement systems.

According to applicable accounting principles, no amortisations have been made to this item.

For an analytical description of the changes in tangible and intangible assets, reference should be made to the table in the section "Schedules".

## Section 10

### TAX ASSETS AND LIABILITIES

#### 10.1 Tax assets: current and pre-paid: breakdown

##### Current tax assets

	Values at 31/12/20	Values at 31/12/19
Income tax	5,264,727	18,654
<b>Total</b>	<b>5,264,727</b>	<b>18,654</b>

Current tax assets, of € 5,264,727 at 31 December 2020, were made up of the higher taxes paid for IRES Surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015 and IRAP for the years from 2018 to 2020 because the Company should have been considered as an "industrial/commercial company" and not as a financial intermediary.

More in detail, in November 2020 the Company presented an advance tax ruling to the Italian Tax Authority pursuant to art. 11, paragraph 1, lett. a), Italian Law no. 212 of 27 July 2000, in order to ask for confirmation that the Company itself does not qualify for tax purposes as a "financial intermediary" under the terms of art. 162-bis of the TUIR (the Consolidated Income Tax Law), but rather as an industrial/commercial company.

After filing the request for ruling the Company presented digitally, within the legal terms, the IRES and IRAP tax return for financial year 2019 and the supplementary statements for the year 2018, determining the related taxable base, and the tax rate, in accordance with the solution suggested in the request.

On 24 February 2021 the Italian Tax Authority, after a discussion with the Department of Finance, therefore, confirmed that Monte Titoli cannot be classified among financial

intermediaries, pursuant to paragraph 1, letter a) of article 162-bis of the TUIR, as it is instead classifiable “among ordinary industrial and commercial companies with whatever follows in terms of application of the related tax provisions”.

#### *Deferred tax assets*

Deferred tax assets and liabilities are determined using the tax rate that is expected to be applicable in the tax year when the underlying temporary differences will be realized or discharged. Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authorities and when there is a legal right for offsetting.

The amount of € 210,756 is detailed in the tables below:

	Values at 31/12/20	Values at 31/12/19
Tax assets	210,756	138,612
<b>Total</b>	<b>210,756</b>	<b>138,612</b>

To provide a better understanding of the counter entries in Shareholders' Equity and the Income Statement, the respective tables below show the balance with the Item's total.

#### *Deferred tax assets (with counter entry in the income statement)*

Deferred tax assets	31/12/20				31/12/19			
	Amount of temporary differences	Tax effect (rate 24.0%)	Tax effect (rate 3.90%)	Total tax effect	Amount of temporary differences	Tax effect (rate 27.5%)	Tax effect (rate 5,57%)	Total tax effect
Non-deductible amortisations	-	-	-	-	11,584	3,186	-	3,186
Employee severance indemnity	39,489	9,477	-	9,477	39,489	10,859	-	10,859
Directors fees	20,000	4,800	-	4,800	34,082	9,373	-	9,373
Audit fees	-	-	-	-	25,725	7,074	-	7,074
Provisions for impairment of receivables	97,031	23,287	-	23,287	118,432	32,569	-	32,569
Impairment of receivables FTA IFRS 9	16,193	3,886	632	4,518	-	-	-	-
Impairment of non-deductible receivables	341,310	81,915	-	81,915	-	-	-	-
Provisions for risks	-	-	-	-	86,219	23,710	4,802	28,512
Exchange losses	90,693	21,766	-	21,766	-	-	-	-
<b>Total deferred tax assets</b>	<b>604,716</b>	<b>145,132</b>	<b>632</b>	<b>145,763</b>	<b>315,531</b>	<b>86,771</b>	<b>4,802</b>	<b>91,573</b>

The item represents the negative income components in relation to which applicable tax provisions require postponed deductibility, in its entirety or in part, with respect to the current taxable period.

*Deferred tax assets (with counter entry in shareholders' equity)*

Deferred tax assets	31/12/20			31/12/19		
	Amount of temporary differences	Tax effect (rate 27.5%)	Total tax effect	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect
Actuarial valuation Employee Severance Indemnity	236,338	64,993	64,993	171,051	47,039	47,039
<b>Total deferred tax assets</b>	<b>236,338</b>	<b>64,993</b>	<b>64,993</b>	<b>171,051</b>	<b>47,039</b>	<b>47,039</b>

*10.2 - Current and deferred tax liabilities: Breakdown of item 60*

In these financial statements as in those of the previous year there are no liabilities linked to current taxes; please see section 10 under Assets "Tax assets and tax liabilities".

*Deferred tax liabilities (with counter entry in the income statement)*

	Valori al 31/12/20	Valori al 31/12/19
Tax liabilities	-	16,885
<b>Total</b>	<b>-</b>	<b>16,885</b>

*Deferred tax liabilities (with counter entry in Income Statement)*

Deferred taxes	31/12/20			31/12/19		
	Temporary differences amounts	Tax effect (rate 27.5%)	Total tax effect	Amount of temporary differences	Tax effect (rate 27.5%)	Total tax effect
Exchange differences	-	-	-	34,111	9,381	9,381
<b>Total deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,111</b>	<b>9,381</b>	<b>9,381</b>

*Deferred tax liabilities (with counter entry in shareholders' equity)*

Deferred taxes	31/12/20			31/12/19		
	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect	Amount of temporary differences	Tax effect (rate 27.5%)	Total tax effect
Employee severance indemnity	-	-	-	27,288	7,504	7,504
<b>Total deferred tax liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,288</b>	<b>7,504</b>	<b>7,504</b>

### 10.3 Changes in prepaid tax (counter entry in income statement)

	Total at 31/12/2020	Total at 31/12/2019
<b>1. Opening balance</b>	<b>91,573</b>	<b>72,308</b>
<b>2. Increases</b>		
2.1 Deferred tax assets recognised in the FY:		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) write-backs		
d) other	228,612	41,083
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>		
3.1 Deferred tax assets taxes eliminated in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other	(174,422)	(21,818)
3.2 Reductions in tax rates		
3.3 Other reductions		
a) changes in tax credits pursuant to Italian Law 214/2011		
b) others		
<b>4. Final amount</b>	<b>145,763</b>	<b>91,573</b>

### 10.5 Changes in prepaid tax (counter entry in shareholders' equity)

	Total at 31/12/2020	Total at 31/12/2019
<b>1. Opening balance</b>	<b>47,039</b>	<b>22,993</b>
<b>2. Increases</b>		
2.1 Deferred tax assets recognised in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other	17,954	24,046
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>		
3.1 Deferred tax assets cancelled in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in tax rates		
3.3 Other reductions		
<b>4. Final amount</b>	<b>64,993</b>	<b>47,039</b>

#### 10.4 Changes in deferred tax (counter entry in Income Statement)

	Total at 31/12/2020	Total at 31/12/2019
<b>1. Opening balance</b>	9,381	-
<b>2. Increases</b>		
2.1 Deferred taxes recorded in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other		9,381
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>		
3.1 Deferred tax liabilities recorded in the FY		
a) reversals		
b) due to changes in accounting criteria		
c) other	(9,381)	
3.2 Reductions in tax rates		
3.3 Other reductions		
<b>4. Final amount</b>	-	9,381

#### 10.6 Changes in deferred tax (counter entry in the Shareholders' Equity)

	Total at 31/12/2020	Total at 31/12/2019
<b>1. Opening balance</b>	7,504	7,504
<b>2. Increases</b>		
2.1 Deferred tax liabilities recorded in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other		
2.2 New taxes or increases in tax rates		
2.3 Other increases		
<b>3. Decreases</b>		
3.1 Deferred tax liabilities recorded in the FY		
a) reversals		
b) due to changes in accounting criteria		
c) other	(7,504)	
3.2 Reductions in tax rates		
3.3 Other reductions		
<b>4. Final amount</b>	-	7,504

### Section 11

#### NON CURRENT ASSETS, ASSET GROUPS HELD FOR SALE AND RELATED LIABILITIES (item 110 OF THE ASSETS AND 70 OF THE LIABILITIES)

There are no current assets, asset groups held for sale and related liabilities.

### Section 12

#### OTHER ASSETS (item 120)

##### 12.1 Other assets: breakdown



	<b>Values at 31/12/20</b>	<b>Values at 31/12/20</b>
receivables from LSEGHI S.p.A. for IRES	-	216,697
Receivables from Group companies for IRES tax	-	484,189
Deferred income	185,963	274,992
Guarantee deposits	13,865	14,662
Receivables from INPS and INAIL	17,851	17,851
receivables from LSEGHI S.p.A. for VAT	204,486	-
<b>Total</b>	<b>422,165</b>	<b>1,008,391</b>

The item "Receivables from LSEGH Italia for IRES tax" at 31 December 2019 referred to the net balance between the estimated payable for IRES of the Group national tax consolidation for financial year 2020 and the related advances paid. The balance of this year is among the liabilities.

The item "IRES receivables from Group companies" in 2019 included the receivable for consolidated IRES from the parent company Borsa Italiana S.p.A. for € 195,701 for the 2008-2009 tax period and from the parent company LSEGH Italia S.p.A. for € 288,488 for the FY 2010-2012 tax period, following presentation of an application for rebate under the terms of art. 2, paragraph 1-quater, of Italian Law Decree no. 201 of 6 December 2011. This law made deductible, on presentation of a specific application, the IRES corresponding to the IRAP related to staff costs and stated that the extra amounts paid in the years of reference would be rebated by the Tax Authority directly or through the parent company for companies that in the same years had accepted a tax consolidation. These credits were reimbursed during the year.

The item "Receivables from LSEGHI S.p.A. for VAT" of € 204,486 at 31 December 2020 refers to the sums payable to the Company as a result of the receivable accrued by the VAT Group and related to operations ascribable to the company itself.

The item prepaid expenses refers mainly to maintenance fees.

## BALANCE SHEET – LIABILITIES

### Section 1

#### FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (item 10)

This item which amounted to € 6,727,130 includes payables, due within the next financial year for supply of goods or provisions of services.

##### 1.1 Financial liabilities measured at amortised cost: breakdown by type of payables

Items	Total at 31/12/2020			Total at 31/12/2019		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
<b>1. Loans</b>						
1.1 Repurchase agreements						
1.2 Other loans						
<b>2. Other payables</b>						
Trade payables		2,144,485	2,261,315	1,670,228		2,468,754
Payables to Group companies		2,197,965	123,364	2,470,798		133,761
<b>Total</b>	-	<b>4,342,450</b>	<b>2,384,679</b>	-	<b>4,141,026</b>	<b>2,602,515</b>
<i>Fair value -level 1</i>						
<i>Fair value -level 2</i>						
<i>Fair value -level 3</i>		4,342,450	2,384,679		4,141,026	2,602,515
<b>Total Fair value</b>	-	<b>4,342,450</b>	<b>2,384,679</b>	-	<b>4,141,026</b>	<b>2,602,515</b>

### Section 8

#### OTHER LIABILITIES (item 80)

##### 8.1 Other liabilities: breakdown

	Values at 31/12/20	Values at 31/12/19
Payables to employees	2,297,113	2,349,738
Payables to social security institutions	967,072	856,102
Payables to tax authorities for withholding tax	457,521	453,282
Other payables	173,339	248,586
Payables to tax authorities for VAT	-	607,897
Payables to LSEGGI S.p.A. for IRES	478,375	-
<b>Total</b>	<b>4,373,420</b>	<b>4,515,605</b>

The item "Payables to LSEGGI Italia for IRES tax" of € 478,375 at 31 December 2020 refers to the net balance between the estimated payable for IRES of the Group national tax consolidation for financial year 2020 and the related advances paid.

The item payables to employees refers to deferred salaries and accrued holidays.

## Section 9

### EMPLOYEE SEVERANCE INDEMNITY (item 90)

This item records the discounted liabilities for the Employee Severance Indemnity.

#### 9.1 Employee Severance Indemnity: annual changes

	Values at 31/12/20	Values at 31/12/19
<b>A. Opening balance 01/01/20</b>	<b>1,526,036</b>	<b>1,528,266</b>
B. Increases		
B.1 Provision for the year	280,564	263,119
B.2 Other increases (interest expenses)	8,607	19,310
B.2 Other increases (service costs)		
B.4 Other increases (actuarial loss)	40,574	87,438
B.5 Other increases		
C. Decreases		
C.1 Settlements made	(71,486)	(199,860)
C.2 Other decreases (actuarial profit)		
C.3 Other decreases	(328,539)	(172,237)
<b>D. Final balance 31/12/20</b>	<b>1,455,757</b>	<b>1,526,036</b>

The table below shows the assumptions of the independent actuary for the purpose of evaluating the employee severance indemnity (TFR).

#### 9.2 Rates used for actuarial valuation

	Values at 31/12/20	Values at 31/12/19
Annual technical discount rate	0.37%	0.71%
Annual inflation rate	1.00%	1.00%
Annual rate of salary increase for managers and middle managers	3.00%	3.00%
Annual rate of salary increase for administrative staff	2.00%	2.00%
Annual rate of increase of the Employee Severance Indemnity (TFR)	2.25%	2.25%

With regard to the discount rate the iBoxx Eurozone Corporates AA 10+ index at the last useful date was taken as reference for the value of the said parameter.

The sensitivity analysis, performed on the main variables adopted in the actuarial calculation of the Severance Indemnity Provisions (net of the portion referred to deferred remuneration) of € 1,269,608 is presented below:

#### Sensitivity analysis of Past Service Liability

+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
1,186,540.00	1,360,480.00	1,295,579.00	1,244,251.00	1,230,270.00	1,314,775.00

## Section 11

### SHAREHOLDERS' EQUITY (items 110 – 150 – 160 - 170)

Shareholders' equity at 31 December 2020 amounts to 110,615,450 euro (103,832,459 euro). The breakdown is as follows:

#### 11.1 Breakdown of item 110 "Capital"

Types	Amount
<b>1. Share capital</b>	<b>16,000,000</b>
1.1 Ordinary shares	16,000,000
1.2. Other shares	-

The share capital of Monte Titoli S.p.A. is composed of 16,000,000 shares, with nominal value of 1.00 euro each, for a total amount of 16,000,000 euro.

The Company owns no treasury shares.

#### 11.5 Other information

##### Composition and changes in Item 150 "Reserves"

	Legal	Extraordinary	Profits/losses carried forward	Guarantee fund	Other	Total
<b>A. Opening balance</b>	<b>3,200,000</b>	<b>379,543</b>	<b>53,182,579</b>	<b>8,000,000</b>	<b>1,913,704</b>	<b>66,675,826</b>
<b>B. Increases</b>	-	-	<b>73,379</b>	-	-	<b>73,379</b>
B.1 Allocation of income	-	-	73,379	-	-	73,379
B.2 Other changes	-	-	-	-	-	-
<b>C. Decreases</b>	-	-	-	-	-	-
C.1 Drawdowns	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
<b>Book Value</b>	<b>3,200,000</b>	<b>379,543</b>	<b>53,255,958</b>	<b>8,000,000</b>	<b>1,913,704</b>	<b>66,749,206</b>

The guarantee fund was set up following the Bank of Italy/Consob Measure of 22/02/2008 containing the rules governing centralized management and settlement services, guarantee systems and relevant management companies (text supplemented and updated at 21 March 2015). Centralised management companies are required to set up a special guarantee fund. The provision referred to above differs from the legal reserve and is made up of provisions that have no specific allocation, including those for share premium reserves. Said provisions, which may also be used for the purchase of real estate properties, are made until the fund has reached an amount equal to half of the share capital.

The item Reserves includes the Legal reserve, the Reserve for the transition to the IFRS, retained earnings and the guarantee Fund pursuant Article 32 of CONSOB Regulation no. 11678/98.

Net profit at 31 December 2020 amounted to € 27,911,177.

Following the resolutions adopted by the Shareholders' Meeting of 27 April 2020, dividends were distributed to shareholders relating to the financial year ended 31 December 2019.

*Composition and changes in Item 160 "Valuation Reserves"*

	Legal	Extraordinary	Profits/losses carried forward	Other	From valuation	Total
<b>A. Opening balance</b>					- 36,746	- 36,746
<b>B. Increases</b>	-	-	-	-	32,387	32,387
B.1 Allocation of income	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	32,387	32,387
<b>C. Decreases</b>	-	-	-	-	40,574	40,574
C.1 Drawdowns	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	40,574	40,574
<b>Book Value</b>	-	-	-	-	- 44,933	- 44,933

## **PART C – INFORMATION ON THE INCOME STATEMENT**

### **INCOME STATEMENT**

#### **Section 1**

INTEREST (items 10 and 20)

##### *1.1 Interest receivable and similar income: breakdown*

	<b>Debt instrument s</b>	<b>Loans</b>	<b>Other transactions</b>	<b>Total at 31 December 2020</b>	<b>Total at 31/12/2019</b>
<b>3. Financial assets measured at amortised cost:</b>					
3.1 Receivables from banks for other receivables (interest on bank accounts)	-	-	1,084	1,084	1,934
3.3 Receivables from customers for other receivables (interest on intragroup loans)	-	-	-	-	-
<b>Total</b>	-	-	<b>1,084</b>	<b>1,084</b>	<b>1,934</b>

##### *1.3 Interest and similar expenses: breakdown*

	<b>Loans</b>	<b>Bonds</b>	<b>Other</b>	<b>Total at 31 December 2020</b>	<b>Total at 31/12/2019</b>
<b>1. Financial liabilities measured at amortised cost</b>					
1. Due to banks for bank charges	-	-	12,545	12,545	13,577
2. Payables to financial institutions for interest	-	-	417,366	417,366	208,445
<b>Total</b>	-	-	<b>429,911</b>	<b>429,911</b>	<b>222,022</b>

#### **Section 2**

COMMISSIONS (items 40 and 50)

##### *2.1 Commission receivables: breakdown*

	<b>Values at 31/12/2020</b>	<b>Values at 31/12/2019</b>
c) Services of		
Custody and administration	57,436,195	57,519,120
Settlement	35,567,819	32,689,563
tax services	3,664,790	3,563,706
Other revenues	64,756	90,558
<b>Total</b>	<b>96,733,560</b>	<b>93,862,947</b>

The item Other revenue includes revenue for X-COM services and other revenues (ISPS service).

## 2.2 Commissions payable: breakdown

	Values at 31/12/2020	Values at 31/12/2019
7. Services of		
- settlement	16,628,026	15,349,725
- custody	6,785,309	6,191,334
- tax services	804,926	796,499
- messaging	597,959	502,743
<b>Total</b>	<b>24,816,220</b>	<b>22,840,301</b>

This item comprises commissions payable relating to the custody and settlement services that Monte Titoli, in its capacity as central depository, pays to foreign Central Securities Depositories and to the European Central Bank for the management of securities. The item "messaging" includes the cost for the financial messaging exchanged with customers.

## Section 8

### NET VALUE ADJUSTMENTS FOR CREDIT RISK (item 130)

#### 8.1 Net value adjustments for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Write-downs (1)			Write-backs (2)		Total at 31/12/2020	Total at 31/12/2019
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
<b>1. Receivables from banks</b>							
- for leasing							
- for factoring							
- other receivables	15,964	-	2,499	(18,136)	(509)	(183)	17,555
<b>2. Receivables from financial institutions</b>							
Acquired impaired receivables							
- for leasing							
- for factoring							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- other receivables	122,405	-	1,327	(68,014)	(2,556)	53,162	20,043
<b>3. Receivables from customers</b>							
Acquired impaired receivables							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables	225,795	7,471	25,770	(115,640)	(11,866)	131,529	122,500
<b>Total</b>	<b>364,165</b>	<b>7,471</b>	<b>29,596</b>	<b>(201,791)</b>	<b>(14,932)</b>	<b>184,508</b>	<b>160,098</b>

Provisions for impairment of receivables amounted to € 314,603 and refer to the impairment of receivables calculated according to the rules of IFRS 9.

## Section 10

### ADMINISTRATIVE COSTS (item 160)

#### STAFF COSTS (item 160 a)

##### 10.1 Staff costs: breakdown

	Values at 31/12/2020	Values at 31/12/2019
<b>1. Employees</b>		
a) Wages and salaries	8,401,819	8,017,004
b) Social security charges	2,163,771	1,978,485
d) Welfare costs	292,507	255,331
e) Employee indemnity severance provision	537,901	534,128
h) Other expenses	171,419	1,150,516
<b>2. Other employees in service</b>	50,843	37,928
<b>3. Directors and Auditors</b>	238,331	125,449
<b>5. Recovery of costs for employees seconded to other companies</b>	(1,236,384)	(1,316,306)
<b>6. Reimbursements for employees seconded to the Company</b>	3,234,276	3,038,752
<b>Total</b>	<b>13,854,483</b>	<b>13,821,287</b>

The balance of the item "Other expenses" at 31 December 2020 amounted to € 171,419. The change compared to the previous year refers mainly to retirement incentives paid out in 2019.

Changes in the number of employees during the financial year were as follows:

##### 10.2 Average number of employees by category

Category	31-dic-19	Recruitments	Resignations	Transfers	31-dic-20	Average
Executives	8	-	-	-	8	8.0
Middle Managers	72	-	(1)	-	71	71.5
Administrative staff	25	4	(2)	-	27	26.0
<b>Total employees</b>	<b>105</b>	<b>4</b>	<b>(3)</b>	<b>-</b>	<b>106</b>	<b>105.5</b>
Seconded in	30	-	-	-	30	30.0
Seconded out	(16)	1	-	-	(15)	(15.5)
<b>Total employees and secondments</b>	<b>119</b>	<b>5</b>	<b>(3)</b>	<b>-</b>	<b>121</b>	<b>120.0</b>

The average number is calculated as the weighted average of employees where the weight is given by the number of months worked in a year. In the case of part-time employees 50% is conventionally taken into consideration.

#### OTHER ADMINISTRATIVE EXPENSES (item 160 b)



### 10.3 Other administrative expenses: breakdown

	Values at 31/12/2020	Values at 31/12/2019
Third-party services	13,644,543	13,976,745
Tax charges	1,504,911	1,652,916
Other expenses	867,280	828,033
Hire and leasing	35,738	21,076
Consumables	1,699	3,006
Membership fees	66,958	40,673
<b>Total other administrative expenses</b>	<b>16,121,130</b>	<b>16,522,449</b>

The Third-party services item includes ICT (Information Communication Technology) service costs of € 10.4 million, consulting and professional service fees of € 1.5 million, office operational costs of € 1.6 million, CONSOB contributions for € 0.8 million and insurance costs of € 0.1 million.

The table below shows a breakdown of the fees for services provided by the auditing company EY S.p.A. pertaining to the 2020 financial year (net of out-of-pocket expenses and supervision contribution and VAT):

Type of services	Entity that provided the service	Fees
<b>Independent auditing</b>		
Independent auditing	EY S.p.A.	50,179
<b>Other services</b>		
Other auditing services (Reporting Package)	EY S.p.A.	27,043
<b>Certification services</b>		
Certification services	EY S.p.A.	1,440
<b>Total</b>		<b>78,662</b>

The fees shown in the table are contract-based fees.

## Section 12

### NET VALUE ADJUSTMENTS TO PROPERTY, PLANT AND EQUIPMENT (item 180)

#### 12.1 Net value adjustments on property, plant and equipment: breakdown

Assets/Income components	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
<b>1. Property, plant and equipment</b>				
A.1 own assets				
- operational use				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) instrumental assets	-	-	-	-
e) other	15,268	-	-	<b>15,268</b>
- For investment				
- Inventories	-	-	-	-
<b>Total</b>	<b>15,268</b>	<b>-</b>	<b>-</b>	<b>15,268</b>

## Section 13

### NET VALUE ADJUSTMENTS TO INTANGIBLE ASSETS (item 190)

#### 13.1 Net value adjustments to intangible assets: breakdown

Asset/Income component	Amortisation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
<b>1. Intangible assets other than goodwill</b>				
1.1 own assets	7,618,247	-	-	<b>7,618,247</b>
<b>Total</b>	<b>7,618,247</b>	<b>-</b>	<b>-</b>	<b>7,618,247</b>

## Section 14

### OTHER OPERATING INCOME AND COSTS (item 200)

This item, which amounted to a negative € 5,491 (a negative € 9,734), mainly refers to the net costs and income from currency exchange differences.

## Section 19

### INCOME TAXES FOR THE FINANCIAL YEAR ON CURRENT OPERATIONS (item 270)

This item amounts to 5,778,211 euro and is the result of the total sum of taxes for the period:

#### 19.1 Income taxes for the financial year on current operations

	Values at 31/12/2020	Values at 31/12/2019
1. Current taxes	9,369,055	10,594,178
2. Change in current taxes of previous years	(3,527,273)	(119,872)
4. Change in deferred tax assets	-	-
5. Changes in deferred tax liabilities	(63,571)	(9,885)
<b>Total taxes for the year</b>	<b>5,778,211</b>	<b>10,464,421</b>

Current taxes, a total expense of € 5,778,211 at 31 December 2020, were made up:

- for € 7,991,516 of the expense for IRES deriving from the transfer of taxable income to the Group national tax consolidation;
- for € 1.377.539 of the expense for IRAP of the year.

The item "Changes in current taxes for previous years" is made up for € 3,578,245 of higher taxes paid (IRES and IRAP Surcharge) for the years 2018 and 2019 and emerging from the tax returns presented in November 2020; see the comment on item 12.1 Other assets: breakdown.

The table below reconciles the ordinary rate and the effective IRES rate with respect to income before taxes.

#### 19.2 Reconciliation between theoretical and actual tax charges

	Values at 31/12/2020	Values at 31/12/2019
Ordinary applicable rate	24.00%	27.50%
Increases/Decreases	-0.28%	-0.29%
	<b>23.72%</b>	<b>27.21%</b>

## **PART D – OTHER INFORMATION**

The contract signed on 19 December 2017 with effect from 1 January 2018 with the outsourcer SIA S.p.A. did not undergo any changes.

### **Payment agreements based on own equity instruments**

#### **LONG TERM INCENTIVE SHARE PLAN**

The information required by IFRS 2 on the subject of share-based payments or options on shares is presented below.

The plans awarded to Group employees fall under the following categories:

**Performance shares** plan has been implemented for a group of executives and senior managers, and consists of the option to receive, free of charge, shares of the London Stock Exchange Group, provided, however, that certain performance conditions are satisfied; this must be checked at the end of a three- year period (Performance Period) after the date of award.

The Performance Conditions are measured as follows:

- as to 50% of the Granted shares: the number of shares to be awarded upon expiration of individual plans will be determined on the basis of the positioning of the TSR or yield rate on LSEG shares in the maturity period calculated assuming the reinvestment of dividends on the same shares;
- as to the remaining 50% of the shares assigned: the number of shares to be assigned on expiry of individual plans will be determined on the basis of the growth in EPS that is of adjusted basic earnings per share of LSEG.

**Matching shares** have been activated for a small group of executives and senior managers and allows them to invest personal resources, up to a maximum of 50% of the value of their basic salary after tax, in shares of the London Stock Exchange Group (so-called "investment shares") and receive a bonus (matching award) if certain performance conditions (TSR-EPS) are met after a period of three years from the grant date. The shares involved in the matching award will be finally awarded and transferred to the employee upon expiration of the third year after the date of assignment, provided, however, that the employee has held the "investment shares" and the employment relationship is still in existence.

**Performance-Related Equity Plan** is designed to reward a selected group of highly-performing employees with high potential. As a participant in the plan, the employee is able to receive the bonus in the form of two different components:

- the **Restricted Share Award** that provides for the award of ordinary shares of the LSEG Group to members if the performance conditions are achieved;
- the **Share Option Award** in the form of an option with a fixed strike price (i.e. the price that a member must pay for taking possession of a single share), which is also subject to the same performance conditions as the Restricted Share Award.

Both plans have a three-year duration from the day of award.

The Performance Conditions are measured as follows:

- for 50% of the shares awarded: the number of shares to be awarded upon expiration of individual plans will be determined on the basis of the positioning of the Total Shareholder Return (TSR) or the rate of return of LSEG shares in the accrual period calculated assuming the reinvestment of the dividends on the same shares;
- for the remaining 50% of the shares assigned: the number of shares to be assigned on expiry of individual plans will be determined on the basis of the positioning of the Group costs compared to the specific budget targets.

The **SAYE** (Save As You Earn) plan provides for the award of options on shares in favour of employees. At the time of awarding the options the employee has the right to agree to participate in a savings plan, managed by the Yorkshire Building Society in the United Kingdom, which provides for monthly withdrawals from the net salary for a period of three years starting from the implementation of the savings plan. The amounts paid over three years will be interest-bearing. On expiry of the three-year term ("Maturity Date"), the plan allows for the purchase of ordinary shares of the London Stock Exchange Group Plc at a determined price. If conversely, upon expiration of the period, the value of the shares has not increased, the employee will not be obliged to purchase them and may simply withdraw the whole amount set aside, increased by any accrued interest.

The shares forming the subject of the LTIP are purchased on the market by London Stock Exchange Group.

The total cost at 31 December 2020 for the award of shares and options on shares was equal to € 536,704 inclusive of the severance indemnity.

Below is a table with the movements of LSEG shares in the framework of the LTIP and the weighted average exercise price:

No. of shares	Share Options	SAYE	LTIP	Total
<b>Opening balance 01/01/2020</b>	-	<b>10,264</b>	<b>44,522</b>	<b>54,786</b>
Shares granted	-	1,596	5,158	<b>6,754</b>
Shares transferred	-			-
Shares transferred from UK	-			-
Exercised shares	-	(4,962)	(16,859)	<b>(21,821)</b>
Forfeited shares	-	(109)		<b>(109)</b>
Lapsed shares	-			-
<b>Closing Balance 31/12/2020</b>	-	<b>6,789</b>	<b>32,821</b>	<b>39,610</b>

The fair value of the shares granted in the framework of the LTIP in the financial year was determined using a probabilistic measurement model. The principal measurement assumptions used in the model are the following:

	SAYE Sharesave Plan	LSEG LTIP Performance Shares				Deferred Bonus Plan	Restricted Share Award Plan			
Assignment date	28-apr-20	22-apr-20	14-set-20	24-nov-20	16-mar-20	16-mar-20	22-apr-20	14-set-20	24-nov-20	
Price of shares at assignment date	£74.88	£76.22	£89.60	£76.16	£63.12	£63.12	£76.22	£89.60	£76.16	
Expected life	3.3 years	3 years	3 years	3.4 years	2 years to 3 years	1 year to 3 years	0.9 year to 4.9 years	0.5 year to 3.5 years	1.8 years to 3.8 years	
Exercise price	£56.00 to £58.09	nil	nil	nil	nil	nil	nil	nil	nil	
Dividend yield	1.15%	1.12%	0.92%	0.96%	n.a.	1.11%	1.12%	0.92%	0.96%	
Risk free interest rate	0.09%	0.11%	-0.12%	0.00%	0.09% to 0.10%	0.09% to 0.11%	0.11% to 0.21%	-0.11% to 0.03%	-0.02% to 0%	
Volatility	25%	29.10%	27.10%	26.80%	26.6% to 23.7%	23.7% to 32.1%	25.8% to 38.5%	25.8% to 41.2%	26.0% to 33.1%	
Fair value	£20.18 to £21.45	n.a.	n.a.	n.a.	63.12	£61.05 to £62.42	£72.15 to £75.46	£86.76 to £89.19	£0.96 to £0.97	
Fair value - TSR	n.a.	£65.64	£76.80	£29.64	n.a.	n.a.	n.a.	n.a.	n.a.	
Fair value - EPS	n.a.	£73.71	£87.16	74.01	n.a.	n.a.	n.a.	n.a.	n.a.	

IFRS 2 - paragraphs 46 and 47

46 - An entity must provide a disclosure such as to enable users of the financial statements to understand the methods of measurement of the fair value of the goods and services received, or of the equity instruments assigned, during the period.

47 - If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments assigned, to give effect to the principle in paragraph 46, the entity shall disclose at least the following information:

(i) the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;

(ii) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and

(iii) whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.

Volatility has been calculated by means of a weekly analysis of the price of the LSEG share since its listing in July 2001. The fair value of the shares awarded during the financial year takes into account the maturity conditions linked to the TSR. The employees to whom the shares linked to the LTIP were awarded are not entitled to receive dividends declared by LSEG during the accrual period.

## Capital requirements

On the basis of article 47 of European Regulation no. 909/ 2014 "CSDR Regulation" and related implementing provisions contained in European Regulation no. 390/2017, Monte Titoli, as a central depository, must hold capital (inclusive of undistributed profits and "Total Capital Requirement" reserves) which, at any time, is sufficient to:

- guarantee that the CSD is adequately protected against operational, legal, custody, investment and commercial risks, so that it may continue to provide services;
- ensure a liquidation or an orderly restructuring of the activities of the CSD in an adequate period of at least 6 months, in the context of a series of stress scenarios.

The capital thus identified must be invested in secured assets in order to comply with the provisions of Article 46 paragraph 4 of the CS DR Regulation. The calculation of the Regulatory Capital at 31 December 2020 is presented below.

<b>Total Shareholders' Equity</b> ( <i>Amounts in euro</i> )	<b>31/12/2020</b>
Share capital	16,000,000
Reserves	66,704,273
Retained earnings	71,177
<b>Total Shareholder's Equity</b>	<b>82,775,450</b>
Intangible assets	(10,992,490)
IFRS reserves	(442,171)
Share Awards	(1,406,166)
<b>Total Shareholder's Equity after prudential filter</b>	<b>69,934,623</b>
<b>Capital Requirement as per CSD Regulation</b> ( <i>Amounts in Euro</i> )	<b>31/12/2020</b>
Winding down/restructuring requirement	17,718,270
Credit and Counterparty risk	1,501,354
Operational risk	10,614,209
Business Risk	7,541,403
<b>Total Capital Requirement (TCR)</b>	<b>37,375,236</b>
<b>Capital Surplus</b>	<b>32,559,387</b>

The Shareholders' Equity available pursuant to the applicable Provisions of Law, at 31 December 2020, amounted to € 69,934,623, out of an overall amount of Shareholders' Equity at the same date equal to € 82,775,450 including the profit for the year allocated to Reserves, as the company had sterilised the impact of the valuation reserves and Share Awards reserves, as well as the entire amount of intangible assets present in the asset side of the Balance Sheet at the date of these financial statements.

Following the Regulatory Capital Requirements, the Company calculated, according to the parameters provided for in EU Regulation No 390/2017:

- capital requirements for operational, legal and custody risks, pursuant to article 47, paragraph 1, letter a), of Regulation (EU) no. 909/2014;
- capital requirements for investment risks, pursuant to article 47, paragraph 1, letter a), of Regulation (EU) no. 909/2014,
- capital requirements for commercial risks, pursuant to article 47, paragraph 1, letter a), of Regulation (EU) no. 909/2014;
- capital requirements of the CSD for liquidation or restructuring of the activities, pursuant to article 47, paragraph 1, letter B), of Regulation (EU) no. 909/2014;

These risks, assessed on the basis of the corporate structure and solidity with respect to the market, have been calculated at € 37,375,236 (Regulatory Capital).

### ***Information on transactions with related parties and with Group companies***

The following table shows details of "non-atypical" transactions during the year with related parties and the associated equity balances as at 31 December 2020:

**London Stock Exchange Group Holdings Italia S.p.A.**

	Revenues	Receivables
IVA credit for tax consolidation		257,958
	Costs	Payables
Receivables IRES for tax consolidation		478,375
Services rendered and costs recharged	37,460	88,677
Services of third parties (rental, operations, consulting)	1,465,013	

**Borsa Italiana S.p.A.**

	Revenues	Receivables
Custody and administration	4,784,613	448,567
Services rendered and costs recharged	50,000	99,521
Capitalisation of Software - Work in Progress		67,059
	Costs	Payables
Third-parties services (IT, rentals, operations, consulting)	1,752,715	2,005,341
Amortisation and depreciation	43,276	
Personnel seconded	2,026,076	

**Cassa di Compensazione e Garanzia S.p.A.**

	Revenues	Receivables
Custody, administration and settlement	4,508,924	432,386
Other operating income	5,000	
	Costs	Payables
Services of third parties (IT)	107,527	107,527

**MTS S.p.A.**

	Revenues	Receivables
Custody, administration and settlement	124,088	10,452

**Bit Market Services S.p.A.**

	Costs	Payables
Third-parties services (IT, rentals, operations, consulting)	10,500	11,270

**Elite Sim**

	Revenues	Receivables
Personnel seconded	28,184	39,417
Services rendered and costs recharged		14,850

**LSE Group plc**

	Costs	Payables
Insurances	110,052	
Recharge of costs operating expenses	295,438	
Services rendered and costs recharged		65,199
Share Scheme		97,635

**LSE Plc**

	Revenues	Receivables
Capitalisation of Software - Work in Progress		4,188
Services rendered and costs recharged		126,440
	Costs	Payables
Third-parties services (IT, Management fees)	73,148	17,980

**LSEG Business Services Ltd**

	Revenues	Receivables
Capitalisation of Software - Work in Progress		21
Services rendered and costs recharged		57,450
	Costs	Payables
Man Effort Recharge	6,598	
Services of third parties (IT)	1,054,257	

**LSEG Business Services RM S.R.L.**

	Revenues	Receivables
Man Effort Recharge		1,271

**LSEG Business Services Colombo (Private) Ltd**

	Revenues	Receivables
Man Effort Recharge	6,895	7,286

**LCH Clearnet Ltd**

	Revenues	Receivables
Custody, administration and settlement	213,062	40,317

**LCH Clearnet S.A.**

	Revenues	Receivables
Custody, administration and settlement	818,980	120,060



Relationships with companies of the Group are governed on the basis of specific agreements, and on the basis of market related prices.

***Information on remunerations paid to the members of the board of directors and board of auditors and to executives vested with strategic responsibilities***

As required by IAS 24, the following table provides the remuneration payable at 31 December 2020 to the members of the Board of Directors, Board of Statutory Auditors and to the Key managers of the Company:

Directors and Key Managers	1,482,959
Statutory auditors	71,600

*With regard to executives with strategic responsibilities, the breakdown of remuneration categories is detailed below:*

a. Short-term employee benefits	752,569
b. Post-employment benefits	40,279
c. Other long-term benefits	-
d. Severance benefits	82,374
e. Share-Based Payments	346,276
<b>Total</b>	<b>1,221,498</b>

*Share based payments*

<b>Plan</b>	<b>Number of shares</b>	<b>Date of award</b>
<i>LSEG Performance Share Award</i>	3,633	22/04/20
<i>LSEG Matching Share Award</i>	3,914	22/03/19
<i>LSEG Performance Share Award</i>	5,059	22/03/19
<i>LSEG Invested Share</i>	930	22/03/19
<i>LSEG Italian Sharesave Scheme</i>	276	01/06/18
<i>LSEG Matching Share Award</i>	4,951	26/04/18
<i>LSEG Performance Share Award</i>	5,627	26/04/18
<i>LSEG Invested Share</i>	1,166	25/04/18
<b>Total</b>	<b>25,556</b>	

The amount relating to Key Managers represents the overall cost for the Company, including any additional elements. The Key Managers category includes managers with strategic responsibilities, i.e. power and responsibility for the planning, management and control of corporate activities.

### **Management and coordination**

We can note that as of the reporting date, 31 December 2020, the Company is subject to the management and coordination of London Stock Exchange Group Holdings Italia S.p.A.

The essential data of the Parent Company London Stock Exchange Group Holdings Italia S.p.A shown in the summary statement required by Section 2497-bis of the Italian Civil Code was extracted from the relevant financial statements for the financial year ended 31 December 2019. For an adequate and complete understanding of the equity and financial situation of London Stock Exchange Holdings Group Italia S.p.A at 31 December 2019, as well as of the economic results obtained by the Company in the financial year ended on that date, reference is made to the reading of the financial statements which, together with the report prepared by the auditing firm, is available in the formats and manner stipulated by the law.

Pursuant to Article 2497-bis of the Italian Civil Code, the essential data from the financial statements of the parent London Stock Exchange Group Holdings Italia S.p.A. are provided below.

#### **EQUITY AND FINANCIAL POSITION AT 31 DECEMBER 2019**

*(amounts in Euro/000)*

**31 December 2019**

##### **Assets**

Total non-current assets	1,462,712
Total current assets	9,673

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<b>TOTAL ASSETS</b>	<b>1,472,385</b>
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##### **Liabilities**

Total non-current liabilities	111,212
Total current liabilities	90,845

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<b>TOTAL LIABILITIES</b>	<b>202,057</b>
<b>NET</b>	<b>1,270,329</b>

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##### **Shareholders' Equity**

Share capital	350,000
Reserves	794,274
Profit/(loss) for the year	126,055

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<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,270,329</b>
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## **STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2019**

*(amounts in Euro/000)*

**31 December 2019**

Revenues	141,387
<b>OTHER REVENUES AND INCOME</b>	<b>141,387</b>
Costs for personnel	1,240
Costs for services	4,061
Amortisation and depreciation	7,370
Operating costs	220
<b>TOTAL OPERATING COSTS</b>	<b>12,891</b>
Financial income	-
Financial expenses	2,457
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>126,039</b>
Taxes	16
<b>NET PROFIT/(LOSS)</b>	<b>126,055</b>
Other components with an impact on shareholders' equity	17
<b>COMPREHENSIVE NET PROFIT/(LOSS)</b>	<b>126,072</b>

### **FINANCIAL STATEMENTS APPROVAL**

The draft financial statements were approved by the Board of Directors on 24 March 2021 and were authorised for publication on that date (IAS 10).

### **Centralised management accounts**

The nominal values of third party financial instruments under centralised management deposit are reported in the following table:

	<b>31/12/20</b>	<b>31/12/19</b>
Paper-based financial instruments	26,114,340,959	25,181,670,296
Dematerialised financial instruments	2,845,549,616,360	2,735,387,727,550
<b>Total</b>	<b>2,871,663,957,319</b>	<b>2,760,569,397,846</b>

### **Security Planning Document**

Pursuant to the law, the Company has updated the security planning document, which contains the rules for identifying the minimum security measures for the processing of personal data, in compliance with Article. 34, paragraph 1, letter g) of the Personal Data Protection Code (approved with Italian Legislative Decree of 30 June 2003) and Rule 19 of Annex B to the same Code.

### **Risk management**

For an overview of the considerations on risks, reference is made to the appropriate paragraphs in the section of the "Report on Operations".

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These financial statements at 31 December 2020 provide a true and correct representation of the financial and equity situation and the economic result at the aforementioned date.

Milan, 24 March 2021

On behalf of the Board of Directors  
The Chairman  
Paolo Cittadini

Il Presidente

Paolo Cittadini

## ANNEXES

### ANALYTICAL STATEMENT OF BREAKDOWN OF SHAREHOLDERS' EQUITY ITEMS AT 31 DECEMBER 2020

(amounts in Euro)

Nature/description	Amount	Possibility of utilisation	Portion available for distribution	Summary of drawdowns made in past three years	
				To cover losses	For other reasons
<b>Share capital</b>	<b>16,000,000</b>				
<b>Guarantee provision pursuant to Art 32, par. 1 CONSOB Regulation 11678/98</b>	<b>8,000,000</b>	D	-		
<b>Capital reserves</b>					
Share premium reserve	-	A, B, C	-		
<b>Income reserves</b>					
Legal reserve	3,200,000	B	-		
Extraordinary reserve	379,543	A, B, C	379,543		
Revaluation reserve, of which:					
- <i>property revaluation</i>	-	A, B, C	-		
- <i>severance indemnity revaluation</i>	(44,932)	E	-		
Profits brought forward	81,167,135	A, B, C	81,167,135		
<b>Reserve from transition to IFRS</b>	<b>507,538</b>	<b>A, B, C</b>	<b>507,538</b>		
<b>Provision for the purchase of Parent Company shares</b>	<b>1,406,166</b>	<b>E</b>	<b>-</b>		
<b>Total</b>	<b>110,615,450</b>		<b>82,054,216</b>		
of which non-distributable portion			-		
of which residual distributable portion			82,054,216		

#### Key

A: to increase capital

B: to cover losses

C: for distribution to shareholders

D: to compensate damages suffered by investors due to fraud or negligence in conducting the centralised management company activities.

E: unavailable reserve

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND  
INTANGIBLE ASSETS

***Property, plant and equipment***

Net value	Balance at 01/01/20	Increases	Depreciation	Decreases	Balance at 31/12/20
Furniture					
IT Equipment					
Investments in progress and advances	7,584				7,584
Long-term hires	17,813		(15,268)		2,545
<b>Total</b>	<b>25,397</b>	<b>-</b>	<b>(15,268)</b>	<b>-</b>	<b>10,129</b>

Depreciation	Balance at 01/01/20	Depreciation	Disposals	Balance at 31/12/20
Furniture				
IT Equipment	457,128			457,128
Long-term hires	15,268	15,268		30,536
<b>Total</b>	<b>472,396</b>	<b>15,268</b>	<b>-</b>	<b>487,664</b>

Historical cost	Balance at 01/01/20	Increases	Decreases	Balance at 31/12/20
Furniture				
IT Equipment	457,128			457,128
Investments in progress and advances	7,584			7,584
Long-term hires	33,081			33,081
<b>Total</b>	<b>497,793</b>	<b>-</b>	<b>-</b>	<b>497,793</b>

***Intangible assets***

Net value	Balance at 01/01/20	Increases	Amortisation	Decreases	Balance at 31/12/20
Start-up and expansion costs					
Franchises, licenses, similar rights					
Other intangible assets	9,296,054	8,371,146	(7,618,247)		10,048,953
Investments in progress and advances	4,816,782	4,497,901		(8,371,146)	943,537
<b>Total</b>	<b>14,112,836</b>	<b>12,869,047</b>	<b>(7,618,247)</b>	<b>(8,371,146)</b>	<b>10,992,490</b>

Amortisation	Balance at 01/01/20	Amortisation	Decreases	Balance at 31/12/20
Start-up and expansion costs	1,006,330			1,006,330
Franchises, licenses, similar rights	4,323,166			4,323,166
Other intangible assets	55,826,279	7,618,247		63,444,526
<b>Total</b>	<b>61,155,775</b>	<b>7,618,247</b>	<b>-</b>	<b>68,774,022</b>

Historical cost	Balance at 01/01/20	Increases	Decreases	Balance at 31/12/20
Start-up and expansion costs	1,006,330			1,006,330
Franchises, licenses, similar rights	4,323,166			4,323,166
Other intangible assets	65,122,333	8,371,146		73,493,479
Investments in progress and advances	4,816,782	4,497,901	(8,371,146)	943,537
<b>Total</b>	<b>75,268,611</b>	<b>12,869,047</b>	<b>(8,371,146)</b>	<b>79,766,512</b>

**MONTE TITOLI S.P.A.**

**Registered office in Milan – Piazza degli Affari 6**

**Fully paid-up share capital € 16,000,000**

**Tax identification number and registration**

**in the Milan Business Register 03638780159**

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**Company subject to the management and coordination of**

**London Stock Exchange Group Holdings Italia S.p.A.**

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**BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING  
CONVENED TO APPROVE THE FINANCIAL STATEMENTS FOR THE PERIOD ENDING  
31 DECEMBER 2020 PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN  
CIVIL CODE**

\*\*\*\*\*

**Introduction**

During the financial year ending 31 December 2020, the Board of Statutory Auditors performed the functions provided for by Art. 2403 et seq. of the Italian Civil Code. The Statutory Audit is entrusted to the audit firm EY S.p.A.

This report was collectively approved in time to be filed at the Company's registered office 15 days prior to the date convening the Shareholders' Meeting to approve the financial statements in question.

The format of this Report is based on legislation and Regulation no. 7.1 of the "*Rules of Conduct for Statutory Auditors - Principles of conduct for Statutory Auditors of unlisted companies*", issued by the Italian National Council of Public Accountants and Accounting Professionals (CNDCEC).

**Knowledge of the Company, risk assessment and report on the tasks assigned**

The Board of Statutory Auditors declares that it has consolidated knowledge regarding the Company and in relation to:

- i) the type of business conducted;
- ii) the Company's organisational and accounting structure;

taking into account also the Company's size and problems, the "planning" phase for monitoring — in which the inherent risks and the critical aspects referring to the aforementioned two parameters need to be evaluated — was conducted on the basis of the consolidated knowledge and information already acquired over time.

It was therefore possible to confirm that:

- the core business of the Company is consistent with the corporate purpose and has not changed during the period in question;
- the organisational structure, IT equipment and human resources employed appear adequate for the business.

This report thus summarises the activities relating to the disclosure required by Art. 2429, paragraph 2 of the Italian Civil Code, and more specifically:

- on the results for the period;
- on the activities undertaken to comply with the duties required by legislation;
- on the remarks and proposals regarding the financial statements;
- on any complaints received from shareholders pursuant to Art. 2408 of the Italian Civil Code.

In terms of a timing, the Board of Statutory Auditors activities cover the entire financial year, during which meetings were regularly held as per Art. 2404 of the Italian Civil Code, with appropriate minutes drawn up, duly signed and unanimously approved.

### **Activities carried out**

During its periodic controls, the Board of Statutory Auditors monitored the developments in the business of the Company, paying special attention to problems of a contingent and/or extraordinary nature, so as to determine their economic and financial impact on the year's result and the financial structure.

The Board of Statutory Auditors, therefore, periodically assessed the adequacy of the corporate organisational and functional structures and any changes in relation to the minimum requirements dictated by the Company's performance.

Relations with personnel operating within the Company and the Auditors were based on reciprocal collaboration in respect of the roles each is assigned, with the Statutory Auditors Board's role duly clarified.

It was noted that the level of technical expertise of internal administrative staff responsible for recording the Company's events was adequate regarding ordinary corporate events and they can be deemed to have sufficient knowledge regarding corporate problems.

Within the coordination activities with the other supervisory bodies, we met the Supervisory Board and received their periodic reports. Based on our meetings and the aforementioned reports, no critical aspects emerged concerning the correct implementation of the organisational model that would require mentioning in this report.

Pursuant to the provisions of Art. 48 of EU Delegated Regulation no. 392/2017 and established by the Board of Statutory Auditors in 2018, the Audit Committee became operational from 18 December 2019, the date from which Monte Titoli S.p.A. was authorised to provide services as a central securities depository in accordance with EU



Regulation no. 909/2014. During the financial year 2020 the Audit Committee regularly took part to the Board of Directors' meetings in order to carry out the control activities over the substantive legitimacy of management operations, monitoring, in addition to the adequacy of the organisational structure, also the internal control system and the compliance with the principle of fair administration.

The information required by Art. 2381, paragraph 5 of the Italian Civil Code was provided by the Managing Director.

Pursuant to Art. 2497 et seq. of the Italian Civil Code, the Company is subject to the management and coordination of London Stock Exchange Group Holdings Italia S.p.A., which is indirectly controlled by the London Stock Exchange Group Plc.

In so far as it was possible to ascertain with the activities carried out during the year, the Board of Statutory Auditors can confirm that:

- the decisions made by the Shareholders' Meeting and the Board of Directors complied with the law and the Articles of Association and were not manifestly imprudent or such that they would definitively compromise the integrity of Company's assets;
- sufficient information was obtained regarding management performance and its foreseeable development and on the more significant transactions undertaken by the Company in terms of size and characteristics;
- the transactions put in place were compliant with the law and Articles of Association and did not potentially conflict with resolutions made by the Shareholders' Meeting or Board of Directors or were such that they would compromise the integrity of Company's assets;
- there are no specific comments regarding the adequacy of the Company's organisational structure or the adequacy of the administrative and accounting system or even on the reliability of the latter to provide a correct representation of management events;
- we did not find any atypical or unusual transactions with Group companies, third parties or with related parties. The information provided to us by the Board of Directors was deemed adequate, also with particular reference to intragroup transactions and those with related parties. More specifically, these transactions are deemed to be related and inherent to the achievement of the corporate purpose and are consistent and in accordance with the Company's interests;
- no additional significant facts emerged during the supervisory activities that would require mention in this report;
- no intervention was required due to omissions by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;
- no complaints were received pursuant to Art. 2408 of the Italian Civil Code;
- no complaints were made pursuant to Art. 2409, paragraph 7 of the Italian Civil Code;
- the Board of Statutory Auditors issued no opinions required by law during the period.

### **Remarks and proposals regarding the financial statements and their approval**

The draft financial statements for the period ending 31 December 2020 were approved by the Board of Directors and prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The Board of Directors prepared the Report on Operations.

These documents were submitted to the Board of Statutory Auditors in time so that they could be filed at the Company's registered office, accompanied by this report, and this regardless of the deadline set by Art. 2429, paragraph 1 of the Italian Civil Code.

The statutory audit is entrusted to the audit firm EY S.p.A., which has prepared its own report pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010. This report records no significant deviations or negative opinions nor did it state that it was impossible to express an opinion or provide disclosures. The opinion issued was therefore positive and confirms that the financial statements at 31 December 2020 were compliant with the International Financial Reporting Standards adopted by the European Union.

The draft financial statements were reviewed, and the following additional information is provided in this regard:

- attention was focused on the layout of the draft financial statements, their general compliance with the law with regard to their formulation and structure and, in this respect, there are no remarks that require mention in this report;
- the explanatory notes adequately represent the transactions with related parties, highlighting the main economic-financial aspects;
- it was confirmed that the preparation of the Report on Operations complied with legislation and, in this respect, there are no remarks that require mention in this report;
- it was verified that the financial statements corresponded with the facts and information available on the basis of the Board of Statutory Auditors' duties and, in this respect, there are no additional remarks;
- please recall the information explained in the notes to the financial statements regarding the effects of the COVID-19 pandemic and the related analysis in terms of business continuity.
- as it is known, in February 2021 Euronext received the approval by the European Commission for the acquisition of Borsa Italiana (and its subsidiaries) from the London Stock Exchange Group. The closing of the deal is expected within the first half of 2021.

### **Result for the financial year**

The net result confirmed by the Board of Directors relating to the year ending 31 December 2020 is positive for € 27,911,177.

## **Conclusions**

Based on the above information and the Board of Statutory Auditors' knowledge and periodic controls conducted, the Board unanimously deems that there are no impediments to your approval of the draft financial statements for the year ended 31 December 2020, as prepared and proposed by the Board of Directors.

Milan, 13 April 2021

For the Board of Statutory Auditors

The Chairman

(Roberto Ruozi)

*This report has been translated into the English language solely for the convenience of the international readers. For the original signature please refer to the Italian version of the Financial Statements.*



# Monte Titoli S.p.A.

Financial statements as at 31 December 2020

Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010

## Independent auditor's report pursuant to articles 14 and 19-bis of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of  
Monte Titoli S.p.A.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Monte Titoli S.p.A. (the Company), which comprise the statement of financial position as at 31 December 2020, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree n. 136, dated 18 August 2015.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement article 43 of Legislative Decree n. 136, dated 18 August 2015, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The statutory audit committee (“Collegio Sindacale”) is responsible, within the terms provided by the law, for overseeing the Company’s financial reporting process.

## Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Monte Titoli S.p.A. are responsible for the preparation of the Report on Operations of Monte Titoli S.p.A. as at 31 December 2020, including its consistency with the related financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the financial statements of Monte Titoli S.p.A. as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the financial statements of Monte Titoli S.p.A. as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Milan, 13 April 2021

EY S.p.A.  
Signed by: Stefano Cattaneo, Auditor

*This report has been translated into the English language solely for the convenience of international readers.*