

Monte Titoli S.p.A.

Financial statements
31 December 2018

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 COMPANIES' REGISTER AND TAX CODE NO. 03638780159

COMPANY SUBJECT TO MANAGEMENT AND COORDINATION OF

LONDON STOCK EXCHANGE GROUP HOLDINGS ITALIA S.p.A.

<i>FINANCIAL HIGHLIGHTS</i>	2
1. REPORT ON OPERATIONS OF MONTE TITOLI S.P.A. AS OF 31 DECEMBER 2018	3
MONTE TITOLI AND THE REFERENCE CONTEXT.....	3
2.1 THE MAIN MONTE TITOLI INITIATIVES	4
2.2 FINANCIAL RESULTS	5
2.3 INFORMATION RELATING TO EMPLOYEES AND THE ENVIRONMENT	6
2.4 RESEARCH AND DEVELOPMENT	6
2.5 RISK ASSESSMENT	6
2.6 GOVERNANCE AND LEGAL INFORMATION	12
2.7 RELATIONSHIPS WITH RELATED PARTIES	18
2.8 SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR	19
2.9 APPROVAL OF THE FINANCIAL STATEMENTS AND OF THE REPORT ON OPERATIONS AND PROPOSAL FOR THE ALLOCATION OF PROFITS	19
2. FINANCIAL STATEMENTS AT 31 DECEMBER 2018	21
BALANCE SHEET	22
INCOME STATEMENT	22
STATEMENT OF COMPREHENSIVE INCOME	24
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31-12-18.....	25
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31-12-2017	26
CASH FLOW STATEMENT.....	27
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 December 2018	28
PART A – ACCOUNTING POLICIES	29
PART B – INFORMATION ON THE BALANCE SHEET	47
PART C – INFORMATION ON THE INCOME STATEMENT	60
PART D – OTHER INFORMATION	66
<i>SCHEDULES</i>	74
ANALYSIS SCHEDULE OF BREAKDOWN OF SHAREHOLDERS' EQUITY ITEMS AT 31/12/2018	74
STATEMENT OF MOVEMENTS IN TANGIBLE AND INTANGIBLE ASSETS	75

FINANCIAL HIGHLIGHTS

Financial Highlights		
<i>(Amounts in thousands euro)</i>		
<i>Economic Indicators</i>	Financial Year 01/01/18 - 31/12/18	Financial Year 01/01/17 - 31/12/17
Net Revenues (*)	70,152	72,909
Ebitda	41,193	39,072
<i>Ebitda margin</i>	58.7%	53.6%
Ebit	32,707	29,909
<i>Ebit margin</i>	46.6%	41.0%
Net profit	21,697	19,761
(in % of Revenues)	30.9%	27.1%
ROE	21.0%	20.3%
Dividends	21,600	19,680
<i>Equity Indicators</i>	Financial Year 01/01/18 - 31/12/18	Financial Year 01/01/18 - 31/12/18
Shareholders' Equity	104,303	102,286
(**) Net Financial Position (- debt / + cash)	88,864	74,136
<i>Efficiency indicators</i>	Financial Year 01/01/18 - 31/12/18	Financial Year 01/01/18 - 31/12/18
Average number of employees	123	124
Revenues/employees	573	588
Ebit/employees	267	241

(*) 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).

1. REPORT ON OPERATIONS OF MONTE TITOLI S.P.A. AS OF 31 DECEMBER 2018

Dear Shareholders,

The financial statements as of 31 December 2018, which the Board of Directors presents for your approval, show a net profit of 21,697,221 euro.

MONTE TITOLI AND THE REFERENCE CONTEXT

In 2018, Monte Titoli's revenue remained stable, confirming the trend over recent years, despite the decline in corporate issues, which since 2014 have come down by 32% to € 550 billion, and the drop in domestic stock listings in the last quarter of the year (-7%). As in the previous three years, during 2018 management focused its efforts on cost savings and simplifying processes and services.

More specifically, the new service contract came into effect in 2018, signed between the outsourcer SIA S.p.A. and Monte Titoli at the end of 2017, based on more favourable economic conditions.

Monte Titoli also cancelled info-providers contracts during the last quarter of the year for the X-COM service (excluding the provider Bloomberg that will be cancelled during 2019 and the Spafid contract that will be expiring on 31 March 2019), with an expected saving over future financial periods of around € 0.5 million.

Midway through 2018, the Dexia Group decided to exit all Italian markets and to centralise its operations with its parent company. As a consequence of this decision, X-COM volumes that had Dexia Crediop as its primary customer, decreased at a progressive and significant rate.

In 2018, Monte Titoli launched the Agility & Growth 2018-2020 programme; a three-year investment formulated to address two strategic objectives: (i) making operating processes more efficient; (ii) digital transformation. On the one hand, the revision of 88 Monte Titoli core processes with the support of the Lean Six Sigma methodology and introduction of robotics (Robotics Process Automation) will help simplify operating procedures, increase efficiency by reducing operating risk and facilitating customers' work; on the other hand, the digital transformation will improve data management, drawing on significant indicators to monitor operating performance, and to provide added-value reporting to customers. During 2018, Monte Titoli revised the first procedures, putting 6 robots into production, with initial savings seen in terms of production time and costs.

In December 2018, Monte Titoli submitted its third application to the Supervisory Authority for authorisation pursuant to the European Central Securities Depository

Regulation (CSDR). Monte Titoli expects to obtain the relevant authorisation by the end of 2019.

In operational terms, up to 31 December 2018 Monte Titoli has processed, through the T2S platform, 45.4 million instructions in total, settling on average 97% of these on the same day.

The custody system has managed volumes equal to € 3,255 billion, of which € 200 billion are represented by foreign financial instruments centralised through other Central Depositories.

As of 31 December, 2,480 issuers and 186 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.

2.1 THE MAIN MONTE TITOLI INITIATIVES

Full support for segments of Borsa Italiana was not lacking, which in the last few years have become increasingly important for the group and which during 2018 also thanks to the strategic cost reduction implemented by Monte Titoli vis-à-vis its suppliers, whilst leaving margins unaltered, made it possible to implement a reduction in post-trade fees for its customers, favouring a further increase in volumes and revenues.

The decision to support the offering of products and services directed at Italian Issuers was confirmed, especially with regard to debt instruments. 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. For example, the option that is now available of centralising a new category of financial instruments (referred to as *PIK – Payment in Kind or PIYC – Pay if you can*), have resulted in around 20 issues for Monte Titoli over the last 18 months, for a nominal total issued value of around € 6 billion. Furthermore, the *Yankee Bond* funding instrument confirmed Monte Titoli as a CSD Issuer and Tax Representative with 2 issues in 2018 (ENI and Unicredit) for a nominal total issued value of US\$ 5 billion. Finally, greater collaboration and a structured exchange of information with Borsa Italiana resulted in the opening of the Italian ABS listing on the ExtraMOT-Pro platform, in contrast with the current listing in Ireland and Luxembourg.

On 9 May 2018, the Italian Antitrust Authority ("Autorità della Concorrenza e del Mercato - "AGCM") began preliminary investigations in respect of Monte Titoli S.p.A. to establish whether there were any possible violations of Art. 102 of the Treaty on the Functioning of the European Union. On 28 September 2018, Monte Titoli submitted a commitments proposal to the AGCM pursuant to article 14-*ter* of Italian Law 287/90. This proposal was submitted by Monte Titoli, even though it deems its conduct to have always fully complied with competition legislation, so as to effectively and rapidly resolve the preliminary investigation, with the objective of effectively managing its business. The preliminary investigation should be concluded by 31 May 2019.

2.2 FINANCIAL RESULTS

The 2018 financial year closed with a net result of 21.7 million euro (19.8 million euro at 31 December 2017).

Total gross operating revenues in the period amounted to 88.6 million euro (90.9 million euro at 31 December 2017), of which 55.9 million euro (56.5 million euro at 31 December 2017) for custody services, 28.9 million euro (31.1 million euro at 31 December 2017) for clearing and settlement services, 3.7 million euro for fiscal services (3.0 million euro at 31 December 2017) and other services 0.2 million euro (0.3 million euro at 31 December 2017). The intermediation commissions paid to the foreign CSDs and to the ECB amount to 18.4 million euro (19.3 million euro at 31 December 2017).

Custody	31/12/18	31/12/17	% Change
Values of securities (€/billions)	3,254.5	3,291.9	-1.1%
Government bonds	1,945.2	1,888.8	3.0%
Bonds	549.6	570.9	-3.7%
Shares and CW	553.6	615.7	-10.1%
Deposits for judicial authorities	3.9	4.1	-4.2%
NCSD	112.7	127.0	-11.2%
ICSD	89.5	85.5	4.7%

Settlement Instructions (ml)	2018	2017	Var %
Settlement Instructions (double counted - ML)	45,4	44,6	1,8%

Costs relating to the structure and management were consistent with the activities performed. In detail, employee costs amount to 12.5 million euro (13.4 million euro at 31 December 2017).

The other administrative expenses including intercompany costs, amount to 16.4 million euro (20.4 million euro at 31 December 2017). These expenses have decreased following a decrease in the costs for technology and professional fees. Depreciations and amortisations amount to 8.5 million euro (9.1 million euro at 31 December 2017).

The net operating margin is equal to 33 million euro, compared to 30 million euro for the financial year ended at 31 December 2017.

In the balance sheet fixed assets, net of valuation allowances, amount to 18 million euro mainly consisting of investments in intangible assets. The decrease of 4 million euro in intangible assets is mainly attributable to the amortisations for the period.

The Company Equity is equal to 104.3 million euro, and includes the operating profit for the financial year ended 31 December 2018 amounting to 21.7 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 55.4 million euro by other reserves.

As part of the Long Term Incentive Plan, the Company granted to some employees the right to receive shares in the London Stock Exchange Group plc (hereinafter LSEG)

subject to the occurrence of certain market conditions, 36 months after such right was granted. The value of these shares, equal to 2.1 million euro, already acquired by LSEG at the date of granting, is reflected in the corresponding Shareholders' Equity reserve (equal to 1.4 million euro) until 31 December 2015, whilst this amount is recorded under "Debts" as from 1 January 2016 (0.4 million euro).

2.3 INFORMATION RELATING TO EMPLOYEES AND THE ENVIRONMENT

As of 31 December 2018, the organizational structure is made up by a total of 109 employees (110 at 31 December 2017): 8 Executives, 70 Middle Ranking Managers and 31 employees, as well as 31 employees seconded from other companies of the Group, and 16 employees seconded to other companies of the Group. The average age is 50 years and 33% of the workforce is female. The average length of service is 22.2 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.

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

The risks of Monte Titoli, which may have an impact on the financial statements items or give rise to liabilities, are not necessarily those typical of financial companies, as Monte Titoli is a Central Italian Depository and provider of post trade services.

The guidelines laid down for the management of the risks adopted by Monte Titoli take into account the provisions contained in EU Regulation No. 909/2014 (CSDR).

Monte Titoli has a management policy for enterprise risks (Enterprise Risk Management Framework - ERMF) whose purpose is to support the identification and assessment of the risks the Company is exposed to, in order to be able to manage them in an efficient manner based on informed choices.

The risk management Policy is based on a model structured along three defence lines, which provides for an adequate system for risk mitigation, ensuring that the internal control system operates efficiently and effectively. In particular:

- The first line of defence is represented by the business and corporate divisions, which are responsible for the identification, measuring, management, monitoring and reporting of the company's risks and regular notification is given to the second line of defence, according to a defined communication process.

- The second line of defence is represented by the Risk Management Division and the Compliance Division, respectively responsible for the definition of the risk management process and compliance with the company's provisions and policies. Said divisions perform an independent control of the first line activities concerning the evaluation and management of risks and compliance with the company's policies.
- The third line of defence is the Internal Audit, which provides an independent assurance to the Board of Directors with regard to the effectiveness of the internal control systems and the envisaged risks.

The company risk profile is monitored regularly, and presented to the Board of Directors during Board meetings.

The Risk Appetite Framework, which defines the company's propensity for risk in achieving its strategic objectives, is integrated in corporate governance and supported by the Risk Management Framework.

The 2018 Risk Appetite Framework was approved by the Board of Directors meeting held on 20 March 2018.

In accordance with article 48 of EU Delegated Regulation 2017/392, a Risk Committee was established which became operational in December 2018.

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.

A listing of the most significant risks appears below, 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.

In the course of 2018, Monte Titoli filed the application for authorisation pursuant to the European Regulation for the Central Depositories of securities (Regulation-EU-No-909-2014), which sets standard obligations for the settlement of financial instruments in the

European Union and rules concerning the organisation of the Central Depositories of securities.

The authorisation process is still pending.

The new Regulation, despite representing a challenge, at the same time offers an opportunity to extend the company's business. In particular, following the new Regulation, the CSDs will benefit from uniform requirements for the authorization and a valid passport throughout the EU. The Regulation also aims to make the settlement of securities in Europe more secure and efficient and, in particular, at reducing the number of failed settlements to a minimum.

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. An operating risk may derive from human errors (created, for example, by a lack of staff, 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 processes' architecture.

The operational risk is mitigated through highly automated processes for the reduction of administrative activities and 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.

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 activities to continue in case of unavailability of the office or staff for internal or external reasons (terrorist attacks, fire, floods, pandemics, etc.).

The Board of Directors appointed a Business Continuity Manager 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.

Business Continuity tests are carried out periodically with a frequency varying from every 3 to 12 months.

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 twice 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 2018 with regard to 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 on time and accurate is mitigated by specific contractual terms, which stipulate, inter alia, service levels (Service Level Agreements - SLAs) and quantitative parameters (Key Performance Indicator - KPI). 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 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 contract 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 2018, a framework was devised and introduced to manage cyber security, which defined 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 2018 were directed at strengthening data protection measures in terms of confidentiality, integrity and availability: confidentiality clauses and the retention of data, back-up procedures and methods all form part of these initiatives.

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 Department, as required by the applicable regulations issued by the Bank of Italy and Consob.

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 Articles of Association. The full text of the Articles of Association is available at the registered office of the Company.

Board of Directors

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:

Paolo Cittadini	Chairman
Raffaele Jerusalmi	Vice Chairman
Mauro Lorenzo Dognini	Managing Director
Andrea Maldi	Executive Director with delegated powers for Finance
Marina Forquet Famiglietti	Director
Claudio Grego	Independent Director
Alfredo Maria Magri	Independent Director
Alessandra Perrazzelli	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 Ruozi	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 2017/392 became operational in December 2018, and is made up of 3 members, more specifically:

- a) the Chairman of the Board of Directors (Paolo Cittadini)

- b) two independent non-executive Directors (Alessandra Perrazzelli and Alfredo Maria Magri, Chairman of the Risk Committee).

Remuneration Committee

The Remunerations Committee, established in compliance with Article 48 of EU Delegated Regulation No 2017/392 is not yet operational, and is made up of 3 members, more specifically:

- a) the Vice Chairman of the Board of Directors (Raffaele Jerusalemi)
b) two independent non-executive Directors (Alessandra Perrazzelli and Claudio Grego, Chairman of the Remuneration Committee)

Board of Arbitrators

Alberto Mazzoni Chairman
Emanuele Rimini
Carlo A. Favero

Disciplinary Board

Mario Notari Chairman
Marco Lamandini
Giuseppe Lusignani

Corporate Governance

The corporate governance structure of Monte Titoli S.p.A. is based on the “traditional” system of management and control, characterized by the presence of the Board of Directors (management body) and Auditors (controlling body) both appointed by the shareholders' meeting. The accounting audit is entrusted to an auditing company pursuant to the law.

Certain aspects of Monte Titoli's governance are being adjusted to the new requirements provided by the European Regulation No. 909/2014 (CSDR) and shall become fully effective upon receipt of the relevant authorization from the national Authority.

The **Board of Directors** is responsible for the strategic lead and supervision of the company's overall activity, as well as for the risk management process, in order for these to be consistent with strategic policies.

The Board is vested with all the powers for the ordinary and extraordinary management of the Company in the framework of the provisions of law, regulation and Articles of Association, and has the power and authority to perform all those acts that it deems necessary and appropriate for pursuing the corporate purpose.

More specifically, the Board of Directors:

- defines the strategic guidelines and objectives to be pursued, reviews and approves the strategic, industrial and financial plans and the budget of the Company, as well as agreements and alliances of a strategic nature, periodically monitoring their implementation;
- with the support of the Risk Committee, defines, determines and documents the Risk Appetite Framework (RAF), and checks that this is consistent with strategic objectives;

- defines the Company's risk management policy, providing a periodic review of these and supervising the Company's overall risk management system, including compliance risks and operational risk;
- defines the leading guidelines of the Company's internal controls system; evaluates on an annual basis, the adequacy, effectiveness and actual functioning of the internal controls system;
- sets the Company's technological framework, defines the Company's IT system guidelines; on an annual basis, assesses the adequacy, efficiency and effective functioning of the IT system and the cyber security framework for the Company's essential services, subject to independent audits that are reported to the Board;
- 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 Articles of Association.

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 resolves on the existence of the aforementioned requirements at its first meeting after the appointment or on learning that the requirements no longer exist.

In compliance with the provision of the Articles of Association, 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 Articles of Association, 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 Articles of Association.

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 Chairmen, 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 Articles of Association and extraordinary transactions such as capital increases, mergers and demergers, without prejudice to the powers attributed to the Board by Article 21 of the Articles of Association, as already mentioned.

The **external audit** 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 ended on 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 also carry out 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.

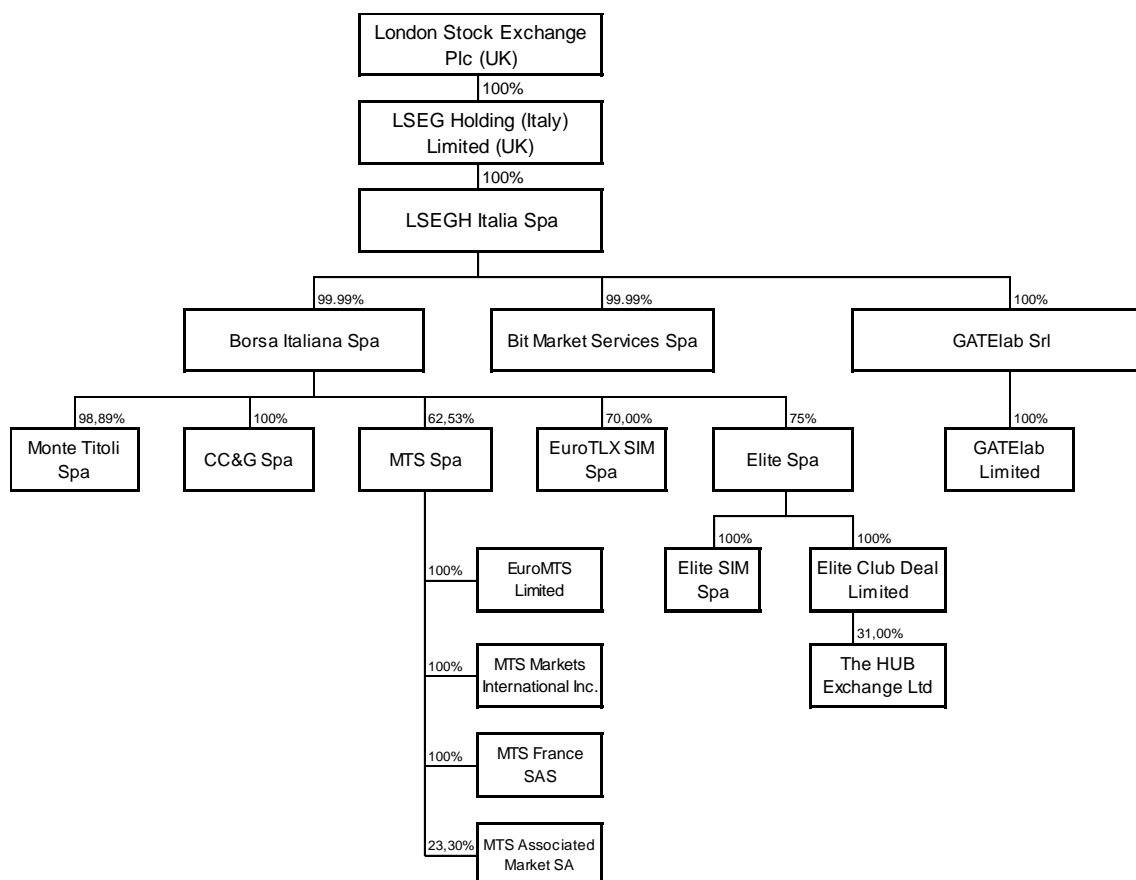
Share capital

The Company's share capital amounts to 16,000,000 euro (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) euro each, issued on a dematerialized basis under the existing provisions of law and entered into the centralised system managed by Monte Titoli.

During the financial year, the Company does not hold and has not acquired or disposed 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 following of the Italian Civil Code, as at the date of 31 December 2018, Monte Titoli S.p.A. is subject to the management and coordination activity of London Stock Exchange Group Holdings Italia S.p.A., in turn controlled by London Stock Exchange Group Plc.



Monte Titoli holds no shareholdings.

Shareholding structure

The shareholding structure of Monte Titoli S.p.A. as at 31 December 2018 is the following:

Shareholder	Number of Shares	% of total share capital
BORSA ITALIANA S.p.A	15,821,979	98.887
EUROCLEAR BANK SA/NA	160,000	1.0000
REALI HOLDING S.r.l.	2,352	0.0147
Ms Gianna BREGLIANO	5,196	0.0325
CELLINO E ASSOCIATI SIM S.p.A.	20	0.0000
Mr Angelo Alessandro COMPOSTELLA	2,681	0.0167
Studio GAFFINO SIM	2,000	0.0125
Mrs 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
TOTAL SHAREHOLDERS (12)	16,000,000	100

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

With an order issued on 7 March 2019, the Italian Antitrust Authority closed the proceedings brought against Monte Titoli on 9 May 2018 regarding alleged abusive post-trading conduct, pursuant to Art. 102 of the Treaty on the Functioning of the European Union, without having established any violation on the part of Monte Titoli.

With this order, the Antitrust Authority accepted the commitments provided by Monte Titoli in accordance with article 14-ter of Italian Law 287/90.

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 at 31 December 2018 (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes), as presented to the Board of Directors, in their entirety and as single items and to allocate the net profit of 21,697,221.41 euro as follows:

- to the Shareholders, as a dividend equal to 1.35 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 21,600,000 euro;
- the remaining profit in the amount of 97,221.41 euro to the Reserves.

The dividend equal to 21,600,000 euro in the amount of 1.35 euro for each of the 16,000,000 ordinary shares shall be payable starting from 3 May 2019.

Milan, 22 March 2019

Directors

On behalf of the Board of

The Chairman

Paolo Cittadini

2. FINANCIAL STATEMENTS AT 31 DECEMBER 2018

BALANCE SHEET

All amounts are expressed in Euro.

ASSETS		31/12/18	31/12/17
40	Financial assets measured at amortised cost	97,960,332	94,064,608
	<i>a) receivables from banks</i>	94,774,685	86,019,880
	<i>b) receivables from financial companies</i>	2,599,337	1,435,523
	<i>c) receivables from customers</i>	586,310	6,609,205
80	Tangible assets	56,519	54,289
90	Intangible assets	17,911,230	21,892,309
100	Tax assets		
	<i>a) current</i>	-	377
	<i>b) prepaid</i>	95,301	71,983
120	Other assets	1,053,541	1,178,114
TOTAL ASSETS		117,076,923	117,261,680

LIABILITIES AND SHAREHOLDERS' EQUITY		31/12/18	31/12/17
10	Financial liabilities measured at amortised cost	5,810,473	6,736,172
	<i>a) payables</i>	5,810,473	
60	Tax liabilities		
	<i>a) current</i>	265,432	173,864
	<i>b) deferred</i>	7,504	-
80	Other liabilities	5,162,583	6,452,354
90	Employee severance indemnity provision	1,528,266	1,613,388
110	Share capital	16,000,000	16,000,000
150	Reserves	66,578,798	66,517,966
160	Valuation reserves	26,646	6,863
170	Net income for the year	21,697,221	19,761,074
TOTAL LIABILITIES AND EQUITY		117,076,923	117,261,680

INCOME STATEMENT

ITEMS	31/12/18	31/12/17
10 Interest receivables and similar income	2,861	2,027
20 Interest expenses and similar charges	(173,373)	(174,186)
30 INTEREST MARGIN	(170,512)	(172,159)
40 Commission income	88,595,033	90,901,163
50 Commissions payable	(18,431,414)	(19,336,981)
60 NET COMMISSIONS	70,163,619	71,564,181
120 INTERMEDIATION MARGIN	69,993,107	71,392,022
130 Net adjustments/write-backs due to credit risk of:		
<i>a) financial assets measured at amortised cost</i>	(21,343)	(93,761)
160 Administrative expenses		
<i>a) personnel expenses</i>	(12,487,724)	(13,385,183)
<i>b) other administrative expenses</i>	(16,449,461)	(20,358,132)
180 Net adjustments/write-backs on tangible assets	(4,344)	(22,065)
190 Net adjustments/write-backs on intangible assets	(8,481,430)	(9,140,348)
200 Other operating income and expenses	(11,912)	1,344,752
210 OPERATING COSTS	(37,456,214)	(41,654,737)
260 PROFIT/LOSS OF CURRENT ASSETS BEFORE TAXES	32,536,893	29,737,285
270 Income taxes for the financial year on current operations	(10,839,672)	(9,976,211)
300 PROFIT/(LOSS) FOR THE FINANCIAL YEAR	21,697,221	19,761,074

All amounts are expressed in Euro.

STATEMENT OF COMPREHENSIVE INCOME

Items	31/12/18	31/12/17
10. Profit (Loss) for the year	21,697,221	19,761,074
Other comprehensive income, net of taxes, without reversal to income statement		
20. Equities measured at fair value impacting on comprehensive income		
30. Financial liabilities measured at fair value impacting the income statement (changes in own creditworthiness)		
40. Hedging of equities measured at fair value impacting on comprehensive income		
50. Tangible assets		
60. Intangible assets		
70. Defined benefit plans	19,783	24,768
80. Non current assets held for sale		
90. Portions of reserves from valuation of shareholdings valued at equity		
Other comprehensive income, before taxes, with reversal to income statement		
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 impacting on comprehensive income		
150. Non current assets and groups of assets held for sale		
160. Portions of reserves from valuation of shareholdings valued at equity		
170. Total other income components net of taxes	19,783	24,768
180. Comprehensive income (items 10 + 170)	21,717,004	19,785,841

All amounts are expressed in Euro.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31-12-18

	Balances at 31/12/17	Change balances opening	Balances at 01/01/18	Result allocation previous year		Changes occurred in the financial year							Comprehensive income financial Year	Shareholders' equity 31/12/18
				Reserves	Dividends and other distributions	Changes in reserves	Shareholders' Equity transactions					Others changes		
							Issuing new own	Acquisition own shares	Advances on dividends	Distribution extraordinary dividends	Changes equity instruments			
Capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- of profits	53,404,261		53,404,261	81074		(20,241)								53,465,094
- other	13,113,704		13,113,704											13,113,704
Valuation reserves	6,863		6,863	-		19,783							19,783	26,646
Advances on dividends	-		-											-
Capital instruments														-
Own shares														-
Profit (Loss) for the year	19,761,074		19,761,074	(81,074)	(19,680,000)								21,697,221	21,697,221
Shareholders' Equity	102,285,902		102,285,902	-	(19,680,000)	(458)	-	-	-	-	-	-	21,697,221	104,302,665

All amounts are expressed in Euro.

The changes in reserves are represented by stock options and revaluation reserves pursuant to Law no. 342/00.

The column "Changes in reserves" records the prospective application of the new IFRS 9 international accounting standards, which came into effect for financial statements ended 31 December 2018. This adjustment refers to the impairment of trade receivables calculated for previous periods based on the new IFRS directives.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31-12-2017

	Balances at 31/12/16	Change balances opening	Balances at 01/01/17	Result allocation previous year		Changes occurred in the financial year							Comprehensive income financial Year	Shareholders' equity 31/12/17
				Reserves	Dividends and other distributions	Changes in reserves	Shareholders' Equity transactions					Others changes		
							Issuing new own	Acquisition own shares	Advances on dividends	Distribution extraordinary dividends	Changes equity instruments			
Capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- of profits	46,584,391		46,584,391	6,819,870		-								53,404,261
- other	13,113,704		13,113,704			-								13,113,704
Valuation reserves	(17,905)		(17,905)	-		24,768							24,768	6,863
Advances on dividends	-		-		-									-
Capital instruments														-
Own shares														-
Profit (Loss) for the year	16,819,870		16,819,870	(6,819,870)	(10,000,000)								19,761,074	19,761,074
Shareholders' Equity	92,500,060		92,500,060	-	(10,000,000)	24,768	-	-	-	-	-	-	19,761,074	102,285,902

All amounts are expressed in Euro.

CASH FLOW STATEMENT

(Direct method)

A OPERATING ACTIVITIES	<u>Financial year ended</u> <u>31/12/18</u>	<u>Financial year ended</u> <u>31/12/2017</u>
1 Operations	29,839,120	29,017,248
interest income received (+)	2,861	2,027
interest expenses paid (-)	(173,373)	(174,186)
dividends and similar income (+)		
commission income	88,595,033	90,901,163
commission expenses	(18,431,414)	(19,336,981)
personnel expenses (-)	(12,487,724)	(13,385,183)
other costs (-)	(16,449,461)	(20,358,132)
other revenues (+)	(11,912)	1,344,752
duties and taxes (-)	(11,204,890)	(9,976,211)
costs/revenues relative to discontinued operations net of tax effect (+/-)		
2 Cash flow generated / absorbed by financial assets	10,892,508	(7,286,421)
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 impacting on comprehensive income		
financial assets measured at amortised cost	10,790,875	(8,764,325)
other assets	101,633	1,477,904
3 Cash flow generated / absorbed by financial liabilities	(1,836,304)	4,055,964
financial liabilities measured at amortised cost	(925,699)	(111,972)
financial liabilities for trading		
financial liabilities designated at fair value		
other liabilities	(910,605)	4,167,936
<i>Net liquidity generated (absorbed) by operating activity</i>	38,895,323	25,786,791
B INVESTMENT ACTIVITY		
1 Cash generated from	-	9,321,813
sale of shareholdings		
dividends paid on shareholdings		
sale of tangible assets	-	-
sale of intangible assets	-	9,321,813
sale of business units		
2 Cash flow absorbed by	(4,506,925)	(4,768,783)
acquisition of shareholdings		
purchases of tangible assets	(6,574)	-
purchases of intangible assets	(4,500,351)	(4,768,783)
acquisition of business units		
<i>Net cash flow generated (absorbed) by investment activities</i>	(4,506,925)	4,553,030
C FUNDING ACTIVITY		
issuing/acquisition of own shares		
issuing/acquisition of equity instruments	-	-
distribution of dividends and other purposes	(19,660,217)	(10,024,768)
<i>Net cash flow generated (absorbed) by funding activities</i>	(19,660,217)	(10,024,768)
D=A +B+C CASH FLOW GENERATED (ABSORBED) DURING THE YEAR	14,728,182	20,315,053
RECONCILIATION		
E Cash and cash equivalents at beginning of the year	74,136,025	53,820,972
D Total net liquidity generated (absorbed) during the year	14,728,182	20,315,053
E + D Cash and cash equivalents at closing of the year	88,864,207	74,136,025

All amounts are expressed in Euro.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 December 2018

INTRODUCTION

The present 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 2018 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 approved by the European Commission.

Section 2 contains all the new principles applicable with effect from 01 January 2018.

Section 2 – Main principles for reporting

STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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 dematerialized 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 approved by the European Commission. The acronym IFRS also refers to 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 2018 refer to the period from 1 January 2018 to 31 December 2018.

The Financial Statements as of 31 December 2018 are composed by the Balance Sheet, Income Statement, Cash Flow Statement, Statements of changes in shareholders' equity, Statement of Comprehensive Income and the explanatory notes; they also include the Statement of changes in tangible and intangible assets.

The accounting schedules were derived from the models proposed by the “Financial statements of IFRS intermediaries other than banking intermediaries” issued by the Bank of Italy with provision dated 22 December 2017.

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

NEW ACCOUNTING STANDARDS

The Company’s 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 validated by the European Commission, as provided for by EC Regulation No 1606 of 19 July 2002 as implemented in Italy by Legislative Decree No 38 of 28 February 2005, up to 31 December 2017.

In preparing these financial statements the same accounting standards have been used, where applicable, as those adopted for preparing the financial statements of the financial year ended at 31 December 2017. The financial statements have been prepared in accordance with the going concern assumption.

NEW STANDARDS APPLICABLE FROM THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

A listing and brief summary is provided below of the new standards and interpretations issued by the IASB and endorsed by the European Union for mandatory adoption as from the financial statements for the financial periods starting first January 2018.

Document title	Issue date	Date of entry in force	Date of approval	EU Registration and date of publication
IFRS 15 – Revenue from client's contracts	May-14 (Note 1)	1° January 2018	22-Sep-16	(UE) 2016/1905 29-Oct-16
IFRS 9 – Financial Instruments	Jul-14	1° January 2018	22-Nov-16	(UE) 2016/2067 29-Nov-16
IFRS 15 Clarification - Revenues for client's contracts	Apr-16	1° January 2018	31-Oct-17	(UE) 2017/1987 09-Nov-17
Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts – (Amendments to IFRS 4)	Sep-16	1° January 2018	03-Nov-17	(UE) 2017/1988 09-Nov-17
IFRS improvements – cycle 2014-2016 (Changes to IFRS 1 and to IAS 28)	Dec-16	1° January 2018	07-Feb-18	(UE) 2018/182 08-Feb-18
Classification and evaluation of operations with share-based payments delle operazioni con pagamenti basati su azioni (Changes to IFRS 2)	Jun-16	1° January 2018	26-Feb-18	(UE) 2018/289 27-Feb-18
Changes in the destination of real estate investments (Changes to IAS 40)	Dec-16	1° January 2018	14-Mar-18	(UE) 2018/400 15-Mar-18
IFRIC 22 Interpretation – Foreign currency transactions and advances	Dec-16	1° January 2018	28-Mar-18	(UE) 2018/519 03-Apr-18

(Nota 1) Amendment which modified the effective date of IFRS 15 has been published in September 2015.

NEW ASPECTS AND CHANGES TO ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes subsequent to the adoption of these new accounting standards are detailed below.

Various other amendments and interpretations were applicable for the first time in 2018, but these did not impact the financial statements. The Company did not proceed with the early adoption of any standards, interpretations or amendments issued, but not yet effective.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenues and the relative interpretations and with a few exceptions, is applicable to all revenue derived from contracts with customers. IFRS 15 sets a five-step model for recognising revenue deriving from contracts with customers, and requires that revenue is recorded at an amount reflecting the amount that the entity expects to receive in exchange for the transfer of goods or services to a customer.

More specifically, IFRS 15 sets the following steps:

- Step 1: Identify the contract with the customer;
- Step 2: Identify all the individual performance obligations within the contract;

- Step 3: Determine the transaction price;
- Step 4: Allocate the price to the performance obligations in the contract;
- Step 5: Recognise revenue as the performance obligations are fulfilled.

IFRS 15 requires that entities applying this, conduct an analysis by taking into consideration all the facts and circumstances that are relevant in applying each step of the model to contracts with their customers. The standard also specifies that the incremental costs to obtain a contract and the directly related costs to fulfilling the contract should also be recognised.

Monte Titoli adopted IFRS 15 by using the adjusted retrospective method, with the date of initial application the 1 January 2018.

The cumulative effect of the initial IFRS 15 application is recognised on the date of first application as an adjustment to the opening balance for undistributed profits. The comparative information was therefore not reformulated and continues to be reported according to IAS 11, IAS 18 and the relative interpretations.

No impact emerged for the asset and economic position, resulting from the introduction of the standard for recording revenues for the aforementioned assets.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments.

The Company applied IFRS 9 prospectively, with the date of first application the 1 January 2018. The Company did not reformulate the comparative information that continues to be reported as per IAS 39. Differences arising from the adoption of IFRS 9 were recognised directly under undistributed profits.

Reconciliation between the accounting schedules published in the 2017 Financial Statements and IFRS 9 accounting schedules (Bank of Italy Directive dated 22 December 2017) at 1 January 2018 (reclassification of IAS 39 balances)

The Company reported the 2017 comparative balances for assets and liabilities in the balance sheet, on the traditional basis as shown below.

Financial statements at 31 December 2017		Financial statements at 31 December 2018
item 60 "Receivables"	➔	item 40 - "Financial assets measured at amortised cost"
item 10 - "Payables"		item 10 - "Financial liabilities measured at amortised cost"

The table below shows the reconciliation between items in the schedules published in the Financial Statements at 31 December 2017 and defined by the Bank of Italy Directive of 22 December 2017, relating to the application of IFRS 9. The reclassification did not result in a change to the evaluation criteria, and consequently the Company's total assets and total liabilities remained unchanged.

IFRS 9		IAS 39					Total
ASSETS		60 - Receivables	100 - Tangible assets	110 - Intangible assets	120 - Tax assets: current and pre-paid	140 - Other assets	
40	Financial assets measured at amortised cost	94,064,608					
	a) receivables from banks						
	b) receivables from financial companies						
	c) receivables from customers						
80	Tangible assets		54,289				
90	Intangible assets			21,892,309			
100	Tax assets				72,360		
	a) current						
	b) prepaid						
130	Non-current assets and groups of assets held for sale						
120	Other assets					1,178,114	
TOTAL ASSETS		94,064,608	54,289	21,892,309	72,360	1,178,114	117,261,680

IFRS 9		IAS 39								Total
LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS		10 - Payables	70 - Tax liabilities: current and pre-paid	90 - Other liabilities	100 - Employee severance indemnity	120 - Capital	160 - Reserves	170 - Valuation reserves	180 - Profit (Loss) for the year	
10	Financial liabilities measured at amortised cost									
	a) payables	6,736,172								
60	Tax liabilities		173,864							
	a) current									
	b) deferred									
80	Other liabilities			6,452,354						
90	Employee severance indemnity provision				1,613,388					
110	Share capital					16,000,000				
150	Reserves						66,517,966			
165	Advances on dividends									
160	Valuation reserves							6,863		
170	Net income for the year								19,761,074	
TOTAL LIABILITIES AND EQUITY		6,736,172	173,864	6,452,354	1,613,388	16,000,000	66,517,966	6,863	19,761,074	117,261,681

Reconciliation between Shareholders' Equity at 31 December 2017 (incorporating the new IFRS 9 presentation rules) and Shareholders' Equity at 1 January 2018 (incorporating the new IFRS 9 evaluation and impairment rules)

The table below shows the reconciliation between Shareholders' Equity at 31 December 2017 (based on IAS 39), which incorporates the reclassification of accounting entries referred to above, and Shareholders' Equity at 1 January 2018 (based on IFRS 9). The columns "Effect of transition to IFRS 9" show the impact of applying this standard.

Reconciliation Shareholders' Equity IAS 39 and Shareholders' Equity IFRS 9	Transition effect to IFRS 9
Shareholders' Equity at 31 December 2017	102,285,902
Recognition of expected losses on receivables as per IFRS 9 for financial assets	(20,241)
Shareholders' Equity at 1 January 2018	102,265,660

IAS/IFRS and the relevant IFRIC interpretations endorsed by the EU as of 30 November 2018 and applicable to financial statements for financial years starting after 1 January 2019

Document title	Issue date	Date of entry in force	Date of approval	EU Registration and date of publication	Notes and references
IFRS 16 - Leasing	Jan-16	1° January 2019	31-Oct-17	(UE) 2017/1986 09-Nov-17	Early application is allowed
Advance payment elements with negative compensation (Amendments to IFRS 9)	Oct-17	1° January 2019	22-Mar-18	(UE) 2018/498 26-Mar-18	Early application is allowed
IFRIC 23 Interpretation – Uncertainty about treatment for income tax purposes	Jun-17	1° January 2019	23-Oct-18	(UE) 2018/1595 24-Oct-18	Early application is allowed

IFRS 16

IFRS 16 replaces the current provisions on leasing, including IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 defines the principles for recognising, measuring, presenting and disclosing leases and requires that lessees recognise all lease contracts in the financial statements based on a single model similar to the one used to recognise financial leases pursuant to IAS 17. The standard provides for two exemptions from applying the model: lease contracts relating to “low value” assets and short-term lease contracts. Except for the contracts falling into the categories referred to above, at the commencement date of the lease, the lessee recognises a liability against the future payments that have been undertaken by signing the contract (i.e. Lease liability) and an asset representing the right-of-use asset under a lease, for the duration of the contract (i.e. right-of-use asset). Lessees must recognise the financial costs accrued on the lease and amortisation of the right of use asset separately in the income statement.

Lessees must also remeasure the lease liability should specific events occur (for example: a change in the lease contract conditions, a change in the future lease payments following a change in an index or rate used to determine said payments). The lessee will generally recognise the remeasurement amount for the lease liability as an adjustment to the right-of-use asset.

IFRS 16 was endorsed by the European Union in October 2017 and is applicable in the preparation of financial statements for financial periods as from 1 January 2019.

The standard provides an option to apply the new provisions, with a full retrospective effect or a modified retrospective effect. The Company is moving towards adopting the modified retrospective approach. Data for the comparative period will therefore not be reformulated, and will be applied with certain simplifications and practical expedients as permitted by the reference standard.

The Parent Company LSE initiated a centralised analysis and development project, involving the Company, for the purpose of defining qualitative and quantitative impacts and any interventions that may become necessary for the adoption of the new standard. The preliminary assessment on the potential effects on the balance sheet have been completed, but the more detailed analysis will be finalised during 2019.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ALREADY ISSUED BUT NOT YET IN FORCE

IAS/IFRS and the relative IFRIC interpretations not yet endorsed with effective date after 1 January 2018

Document title	Issue date	Date of entry in force of IASB document	Date of planned approval by European Union
	by IASB		
Standards			
IFRS 14 Regulatory Deferral Accounts	Jan-14	(Nota 1)	(Nota 1)
IFRS 17 Insurance Contracts	May-17	1° January 2021	TBD
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Sep-14	Deferred until completion of the IASB project on the equity method	Postponed pending the conclusion of the IASB project on the equity method
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Oct-17	1° January 2019	2018
Annual Improvements to IFRS Standards (2015-2017 Cycle)	Dec-17	1° January 2019	2018
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Feb-18	1° January 2019	2018
Amendments to References to the Conceptual Framework in IFRS Standards	Mar-18	1° January 2019	2019
Definition of business (Amendments to IFRS 3)	Oct-18	1° January 2019	2019
Definition of material (Amendments to IAS 1 and IAS 8)	Oct-18	1° January 2019	2019

(Note 1) IFRS 14 entered into force on 1 January 2016, but the European Commission decided to suspend the approval process pending the new accounting principle on "rate-regulated activities".

For the time being no significant impacts are expected from the adoption of such standards.

Section 3 - Events subsequent to the reference date of these financial statements

In the period between the date of the financial statements and their approval by the Board of Directors no events have occurred that require an adjustment of the data approved at that meeting. The proposed financial statements were approved by the Board of Directors on 22 March 2019 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).

Tangible assets

Tangible assets 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.

Tangible assets 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:

<u>Fixed asset, technical equipment, plant and machine</u>	<u>Useful life</u>
Automatic data processing systems	3 years
Plants and systems and technical 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:

<u>Intangible Assets</u>	<u>Useful life</u>
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.

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: (i) on the basis of temporary differences between the book value of an asset or a liability (according to specific criteria) of the financial statements and the taxable value; (ii) 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 individually estimate the recoverable amount of an asset, the Company estimates the recoverable value of the unit generating the financial flow to which the asset belongs.¹

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

¹ The recoverable value of an asset is the higher of its current value less selling costs 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.

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 above mentioned 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 validated 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 plans with defined benefits. 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 the SBPs are identified as Equity Settled, an increase is recorded in the corresponding reserve for shareholders' equity in accordance with IFRS 2.

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

The tax expense represents the sum of current and deferred taxes.

Current taxes are based on taxable profit for the year. The taxable income differs from profit as reported in the income statement because it excludes income and expenses that are taxable or deductible in other years and also excludes items that are never taxable or deductible. The liability for current tax is calculated using applicable tax rates.

Deferred tax is the tax that is expected to be paid or recoverable on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the calculation of the taxable profit. Deferred taxes are accounted for in accordance with the balance sheet liability method. Deferred tax liabilities are generally recorded for all taxable temporary differences, whereas deferred tax assets are recorded to the extent that it is deemed probable that there will be sufficient taxable profits in the future that will allow the deductible temporary differences to be used. These assets and liabilities are not recorded if the temporary differences arise from goodwill or from the initial recording (not in business combination transactions) of other assets and liabilities in a transaction that has not affected the accounting profit or the taxable profit.

The book value of deferred tax assets is reviewed at each date of the financial statements and reduced to the extent that it is no longer likely that sufficient taxable profits will be available to allow the entirety or part of the assets to be recovered.

Deferred taxes are calculated at the tax rates that are expected to apply when the asset is realized or the liability is extinguished. Deferred taxes are recognized directly in the statement of comprehensive income statement.

Monte Titoli S.p.A. opted to participate in the Italian national tax consolidation system of London Stock Exchange Group Holding Italia Spa governed by an agreement for the periods from 1/1/2015 to 31/12/2018.

Financial relations, as well as responsibilities and mutual obligations, between Monte Titoli and the parent company are defined in the Rules governing participation in the Italian national tax consolidation system for companies in the London Stock Exchange Group Holdings Italia S.p.A. Group, according to which subsidiaries with a positive taxable income transfer the financial resources corresponding to the higher tax due by the subsidiary to London Stock Exchange Group Holdings Italia S.p.A. based on their participation in the Italian tax consolidation system.

Deferred and prepaid taxes are determined using the tax rate that is expected to apply in the tax years 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.

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.

Income taxes are allocated on the basis of the forecast of the tax burden for the year with reference to the applicable legislation.

This allocation takes into consideration the effect of the temporary differences between statutory income and income for tax purpose, determining the relevant deferred and prepaid taxes.

Deferred tax assets are recorded if it is likely that there will be future taxable income against which they can be recovered.

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.

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 2018 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 31/12/18				Total at 31/12/17			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	97,960,332			97,960,332	94,064,608			94,064,608
2. Tangible assets held for investment purpose								
3. Non current assets and groups of assets held for sale								
Total	97,960,332	-	-	97,960,332	94,064,608	-	-	94,064,608
1. Financial liabilities measured at amortised cost	5,810,473			5,810,473	6,736,172			6,736,172
2. Liabilities associated to assets held for sale								
Total	5,810,473	-	-	5,810,473	6,736,172	-	-	6,736,172

Key:

BV = Book Value

L1= Level 1

L2= Level 2

L3= Level 3

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.

A.4.6 Other Information

At 31 December 2018, 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.

ANALYSIS OF ITEMS IN THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2018²

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 97,960,332 euro, (94,064,608 euro) and refers for 88,864,207 euro to account balances with banks, 9,096,125 euro to invoices issued or to be issued for services rendered.

4.1 Financial assets measured at amortised cost: composition breakdown in respect of banks

Breakdown	Valori al 31/12/18						Values at 31/12/17					
	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
1. Bank deposits and accounts	88,864,207	-	-			88,864,207	74,136,025					74,136,025
2. Loans												
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring with recourse												
2.3 Factoring without recourse												
2.4 Other loans												
3. Debt instruments												
structured securities												
other debt instruments												
4. Other assets	5,910,478	-	-			5,910,478	11,883,855	-	-			11,883,855
Receivables Italian Banks	5,133,141	-	-			5,133,141	10,998,184					10,998,184
Receivables Foreign Banks	777,337					777,337	343,617					343,617
Receivables from Group companies						-	542,055					542,055
Total	94,774,685	-	-			94,774,685	86,019,880	-	-			86,019,880

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

There are no third stage receivables in respect of Italian and foreign banks.

First and second stage receivables are recognised net of the relevant devaluation provision (provided for second stage 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 2017 is shown in between brackets.

4.2 Financial assets measured at amortised cost: breakdown by credit products in respect of financial companies

Breakdown	Valori al 31/12/18						Values at 31/12/17					
	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
1. Loans												
1.1 Repurchase agreements												
1.2 Financial leasing												
1.3 Factoring												
with recourse												
without recourse												
1.4 Other loans												
2. Debt instruments												
structured securities												
other debt instruments												
3. Other assets	2,599,337	-	-			2,599,337	1,435,523	-	-			1,435,523
Receivables from Italian financial ins	788,625	-	-			788,625	221,369	-	-			221,369
Receivables from foreign financial ins	307,679	-	-			307,679	1,090,076	-	-			1,090,076
Receivables from Group companies	1,503,032	-	-			1,503,032	124,078	-	-			124,078
Total	2,599,337	-	-			2,599,337	1,435,523	-	-			1,435,523

"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. and EuroTLX SIM S.p.A. referring primarily to the adjustment for the X-TRM fee.

Third stage receivables amount to 14,553 euro and are fully covered in the receivables devaluation provision.

First and second stage receivables are recognised net of the relevant devaluation provision (provided for second stage receivables).

4.3 Financial assets measured at amortised cost: composition breakdown in respect of customers

Breakdown	Valori al 31/12/18						Values at 31/12/17					
	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
1. Loans												
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												
2. Debt instruments												
structured securities												
other debt instruments												
3. Other assets	586,310	-	-			586,310	6,609,205	-	-			6,609,205
Receivables to Italian financial	579,065	-	-			579,065	1,096,706	-	-			1,096,706
Receivables to foreign financial	7,245	-	-			7,245	22,807	-	-			22,807
Receivables from Group companies	-	-	-			-	5,489,693	-	-			5,489,693
Total	586,310	-	-			586,310	6,609,205	-	-			6,609,205

Third stage receivables amount to 70,311 euro and are fully covered in the receivables devaluation provision.

First and second stage receivables are recognised net of the relevant devaluation provision (provided for second stage receivables).

The receivables devaluation provision at 31 December 2018, which amounts to 159,220 euro is deemed adequate for the adjustment of the Company's receivables based on IFRS 9 directives.

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 8,433,394 euro.

	Values at 31/12/18	0-90 days		90-120 days		over 120 days	
Banks	5,910,478	5,908,729	65.0%	227	0.0%	1,523	0.0%
Financial Institutions	2,599,337	2,578,351	28.3%	11,105	0.1%	9,881	0.1%
Clients	586,310	573,788	6.3%	1,556	0.0%	10,966	0.1%
	9,096,125	9,060,868	99.6%	12,888	0.1%	22,369	0.2%

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

	Gross amount				Adjustments to totals			Total partial write-offs
	First stage	of which: Instruments with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt instruments	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Other assets	97,960,332	88,864,207	74,356	84,864	-	74,356	84,864	-
Total 31/12/2018	97,960,332	88,864,207	74,356	84,864	-	74,356	84,864	-
Total 31/12/2017	94,064,608	74,136,025	58,954	67,285	-	58,954	67,285	21,594
originated impaired financial assets	-	-	-	-	-	-	-	-

The table below shows the gross value and overall adjustments in value, 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 31/12/18	Total at 31/12/17
1. Owned assets		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other	-	4,344
f) works in progress and prepayments	56,519	49,945
2. Assets acquired under financial leases		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
f) works in progress and prepayments		
Total	56,519	54,289

8.6 Tangible assets held for operating purposes: annual changes

	Land	Buildings	Furniture	Electronic systems	Others	Works in progress and	Total
A. Gross opening balance	-	-	-	-	4,344	49,945	54,290
A. 1 Total net reductions	-	-	-	-	-	-	-
A. 2 Net opening balance	-	-	-	-	4,344	49,945	54,290
B. Increases							
B. 1 Purchases					-	6,574.00	-
B. 2 Improvement costs capitalized							
B. 3 Write-backs							
B. 4 Increases in fair value recognized in							
a) shareholders' equity							
b) income statement							
B. 5 Exchange rate gains							
B. 6 Transfers from properties held for investment purposes							
B. 7 Other changes							
C. Decreases							
C. 1 Sales							
C. 2 Amortizations and depreciations		-			4,344		4,344
C. 3 Adjustments due to impairment recognized in							
a) shareholders' equity							
b) income statement							
C. 4 Decreases in fair value recognized in							
a) shareholders' equity							
b) income statement							
C. 5 Exchange rate losses C.							
C. 6 Transfers to:							
a) tangible assets held for investment purposes							
b) assets held for sale	-	-					-
C. 7 Other changes							
D. Net closing balance	-	-	-	-	-	56,519	56,519
D. 1 Total net reductions	-	-	-	-	-	-	-
D. 2 Gross closing balance	-	-	-	-	-	56,519	56,519
E. Valuation at cost							

Section 9

INTANGIBLE ASSETS (item 90)

9.1 Intangible assets: breakdown

Items/Measurement	Total at 31/12/18		Total at 31/12/17	
	Assets measured	Assets measured	Assets measured	Assets measured
1. Goodwill				
2. Other intangible assets				
2.1 own assets				
produced in-house				
others				
- start-up and expansion costs	-		-	
- concessions, licenses, similar rights	0		14,430	
- other intangible assets	16,962,833		20,904,413	
- works in progress and prepayment	948,396		973,466	
2.2 acquired with financial leases				
Total	17,911,230		21,892,309	

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
A. Opening balance	21,892,309
B. Increases	
B.1 Purchases	4,500,350
B.2 Write-backs	
B.3 Increases	
in fair value recognised in:	
a) shareholders' equity	
b) income statement	
B.4 Other changes	0
C. Decreases	
C.1 Sales	
C.2 Amortisations and depreciations	8,481,430
C.3 Adjustments due to:	
impairments 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	0
D. Final balance	17,911,230

9.3 Intangible assets: Other information

Other intangible assets (measured at cost)	Amounts at 01/01/18	Increases	Decreases	Amortisation	Amounts at 31/12/18
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	(4,308,734)		-	(14,432)	(4,323,166)
Other intangible assets (1)	59,647,774	4,525,420			64,173,194
- amortisation to date	(38,743,362)			(8,466,998)	(47,210,360)
Works in progress and prepayments (2)	973,465	4,500,350	(4,525,420)		948,395
Total	21,892,309	9,025,770	(4,525,420)	(8,481,430)	17,911,230

(1) Other intangible assets mainly comprise the cost to use the applications 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 31/12/18	Values at 31/12/17
Withholding tax	-	377
Total	0	377

Prepaid tax assets

Deferred and pre-paid taxes 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 95,301 euro is detailed in the tables below.

	31/12/2018	31/12/2017
Tax assets	95,301	71,983
Total	95,301	71,983

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.

Prepaid tax assets (with counter entry in the income statement)

Prepaid taxes	31/12/18				31/12/17			
	Temporary differences amounts	Tax effect (rate 27,5%)	Tax effect (rate 5,57%)	Total tax effect	Temporary differences amounts	Tax effect (rate 27,5%)	Tax effect (rate 5,57%)	Total tax effect
Non-deductible amortisations	37,474	10,305	-	10,305	52,118	14,332	-	14,332
Maintenance expenses	-	-	-	-	-	-	-	-
Employee severance indemnity	39,489	10,859	-	10,859	-	-	-	-
Directors fees	15,582	4,285	-	4,285	-	-	-	-
Audit fees	25,725	7,074	-	7,074	25,725	7,075	-	7,075
Bad debt provision	118,432	32,569	1,015	33,585	100,215	27,559	-	27,559
Exchange losses	19,427	5,342	-	5,342	82	24	-	24
Membership fees	3,120	858	-	858	-	-	-	-
Total prepaid tax assets	259,249	71,293		72,308	178,140	48,990		48,990

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.

Prepaid tax assets (with counter entry in shareholders' equity)

Prepaid taxes	31/12/18			31/12/17		
	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect
Employee severance indemnity	38,989	10,722	10,722	38,989	10,722	10,722
Employee severance indemnity from reclassification	39,489	10,859	10,859	39,489	10,859	10,859
Employee severance indemnity	19,426	5,341	5,341	19,426	5,341	5,341
Employee severance indemnity from reclassification	(14,291)	(3,930)	(3,930)	(14,291)	(3,930)	(3,930)
Total prepaid tax assets	38,989	22,993	22,993	38,989	22,993	22,993

10.2 - Tax liabilities: current and pre-paid: Breakdown of item 60

Current tax liabilities	Values at 31/12/18	Values at 31/12/17
Income tax	265,432	173,864
Total	265,432	173,864

Deferred tax liabilities	Values at 31/12/18	Values at 31/12/17
Tax liabilities	7,504	-
Total	7,504	-

Prepaid tax liabilities (with counter entry in shareholders' equity)

Deferred taxes	31/12/18			31/12/17		
	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect	Temporary differences amounts	Tax effect (rate 27,5%)	Total tax effect
Employee severance indemnity	27,288	7,504	7,504	0	0	0
Total deferred tax liabilities	27,288	7,504	7,504	-	-	-

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

	Total at 31/12/18	Total at 31/12/17
1. Opening balance	48,990	144,304
2. Increases		
2.1 Prepaid taxes recognised in the FY:		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) write-backs		
d) other		
2.2 New taxes or increases in tax rates	34,063	10,557
2.3 Other increases		
3. Decreases		
3.1 Prepaid taxes eliminated in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other	(10,745)	(105,871)
3.2 Reductions in tax rates		
3.3 Other reductions		
a) changes in tax credits pursuant to Law 214/2011		
b) others		
4. Final amount	72,308	48,990

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

	Total at 31/12/18	Total at 31/12/17
1. Opening balance	22,993	10,722
2. Increases		
2.1 Prepaid taxes recognised in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other	-	16,201
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Prepaid taxes eliminated in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other	-	(3,930)
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Final amount	22,993	22,993

10.6 Changes in deferred tax (counter entry in the shareholders' equity)

	Total at 31/12/18	Total at 31/12/17
1. Opening balance	-	-
2. Increases		
2.1 Deferred taxes recorded in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other	7,504	-
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred taxes recorded in the FY		
a) reversals		
b) due to changes in accounting criteria		
c) other		
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Final amount	7,504	-

Section 11

NON CURRENT ASSETS, GROUP OF ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES (item 110 UNDER ASSETS AND 70 UNDER LIABILITIES)

There are no current assets, groups of assets being disposed of and associated liabilities.

Section 12

OTHER ASSETS (item 120)

14.1 Other assets: breakdown

	Values at 31/12/18	Values at 31/12/17
Receivables from LSEGH Italia for IRES tax	-	-
Receivables from Group companies for IRES tax	484,189	484,189
Deferred income	229,437	422,244
Receivables from Tax Authorities for VAT	288,805	224,141
Receivables from Parent Company for other taxes	10,626	31,386
Guarantee deposits	14,472	10,767
Receivables from INPS and INAIL	4,588	5,387
FONDIR Fund	21,424	
Total	1,053,541	1,178,114

It is noted that the position in respect of the consolidating company for IRES is classified in "Other Liabilities", which has a negative balance in the current financial year.

"IRES receivables from Group companies" includes the receivable for consolidated IRES from the parent company Borsa Italiana for 195,701 euro for 2008-2009 tax period and to the holding company LSEGH Italia S.p.A. for 288,488 euro for the 2010-2012 tax period. This receivable derives from the regulatory provisions law contained in Article 2 of the so-called "Salva Italia" [Save Italy] decree, Law Decree No. 201/11 and a refund will be applied for according to the procedures approved by specific measure issued by the Italian Internal Revenue Office on 17 December 2012, on the basis of the deadline for the submission of applications related to the measure.

Deferred income mainly refers to the provision of tax services in the amount of 142,904 euro, and the maintenance fee for 86,533 euro.

BALANCE SHEET – LIABILITIES

Section 1

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (item 10)

This item includes amount payables within the next financial year for supply of goods or provisions of services.

1.1 Financial liabilities measured at amortised cost: composition breakdown by liabilities

Items	Total at 31/12/18			Total at 31/12/17		
	to banks	to financial companies	to customers	to banks	to financial companies	to customers
1. Loans						
1.1 Repurchase agreements						
1.2 Other loans						
2. Other payables						
Trade payables		1,338,684	2,937,805	1,360,766		2,831,979
Payables to Group companies		642,721	891,263			2,543,428
Total	-	1,981,405	3,829,068	-	1,360,766	5,375,406
Fair value -level 1						
Fair value -level 2						
Fair value -level 3		1,981,405	3,829,068		1,360,766	5,375,406
Total Fair value	-	1,981,405	3,829,068	-	1,360,766	5,375,406

Section 8

OTHER LIABILITIES (item 80)

8.1 Other liabilities: breakdown

	Values at 31/12/18	Values at 31/12/17
Payables to employees	2,348,197	3,363,210
Payables to LSEGI S.p.A. for IRES	786,926	1,250,838
Payables to social security institutions	1,319,333	1,173,985
Payables to tax authorities for withholding tax	708,127	644,523
Other payables	-	6,866
Deferred income	-	12,932
Total	5,162,583	6,452,354

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 31/12/18	Values at 31/12/17
A. Opening balance	1,613,388	1,541,722
B. Increases		
B.1 Provision for the year	66,017	85,142
B.2 Other increases (interest expenses)	17,263	17,695
B.3 Other increases (actuarial loss)		
B.4 Other increases	-	
C. Decreases		
C.1 Settlements made	(84,207)	(11,745)
C.2 Other decreases (actuarial profit)	(27,288)	(19,426)
C.3 Other decreases	(56,907)	
D. Final balance	1,528,266	1,613,388

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 31/12/18	Values at 31/12/17
Annual technical discount rate	1.57%	1.29%
Annual inflation rate	1.50%	1.50%
Annual rate of salary increase for managers and middle managers	3.50%	3.50%
Annual rate of salary increase for administrative staff	2.50%	2.50%
Annual rate of increase of the Employee Severance Indemnity (TRF)	2.63%	2.63%

With regard to the discount rate, the iBoxx Eurozone Corporates AA 10+ index was taken as reference for the valorisation of said parameter on the valuation date.

The sensitivity analysis is reported below, performed on the main variables adopted in the actuarial calculation of the Severance Indemnity Fund.

	Annual discount rate		Annual inflation rate		Annual turnover rate	
	0.50%	-0.50%	0.25%	-0.25%	2.00%	-2.00%
Monte Titoli	1,230,613	1,403,821	1,339,487	1,287,970	1,299,080	1,333,015

Section 11

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

Shareholders' equity at 31 December 2018 amounts to 104,302,665 euro (102,285,902 euro). The breakdown is as follows:

11.1 Breakdown of item 110 "Capital"

Types	Amount
1. Share capital	16,000,000
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	Others	Total
A. Opening balance	3,200,000	379,543	53,024,718	8,000,000	1,913,705	66,517,966
B. Increases	-	0	60,832	-	-	60,832
B.1 Allocation of income	-	0	81,073	-	-	81,073
B.2 Other changes	-	-	(20,241)	-	-	20,241
C. Decreases	-	-	-	-	-	-
C.1 Utilisations	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
Book Value	3,200,000	379,543	53,085,550	8,000,000	1,913,705	66,578,798

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 2018 amounts to 21,697,221 euro.

Following the resolutions adopted by the Shareholders' Meeting of 19 April 2018, dividends were distributed to shareholders relating to the financial year ended 31 December 2017.

Composition and changes in Item 160 "Valuation Reserves"

	Legal	Extraordinary	Profits/losses carried forward	Others	From valuation	Total
A. Opening balance					6,863	6,863
B. Increases	-	-	-	-	27,288	27,288
B.1 Allocation of income	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	27,288	27,288
C. Decreases	-	-	-	-	7,504	7,504
C.1 Drawdowns	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	7,504	7,504
Book Value	-	-	-	-	26,646	26,646

PART C – INFORMATION ON THE INCOME STATEMENT

INCOME STATEMENT

Section 1

INTEREST (items 10 and 20)

1.1 Interest receivable and similar revenues: breakdown

	Debt instruments	Loans	Other transactions	Total at 31/12/18	Total at 31/12/17
3. Financial assets measured at amortised cost:					
3.1 Receivables from banks for other receivables (bank accounts interest)			2,861	2,861	2,027
3.3 Receivables from customers for other receivables (bank accounts interest)		-	-	-	-
Total	-	-	2,861	2,861	2,027

1.3 Interest expenses and similar charges: breakdown

	Loans	Bonds	Other	Total at 31/12/18	Total at 31/12/17
1. Financial liabilities measured at amortised cost					
1. Due to banks for banking charges			12,771	12,771	11,715
2. Debts to financial institutions for interest payable			160,602	160,602	162,471
Total	-	-	173,373	173,373	174,186

Section 2

COMMISSIONS (items 40 and 50)

2.1 Commission receivables: breakdown

	Values at 31/12/18	Values at 31/12/17
c) Services of		
Custody and administration	55,917,342	56,533,108
Settlement	28,872,114	31,050,361
tax services	3,654,106	2,996,852
Other revenues	151,471	320,842
Total	88,595,033	90,901,163

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

2.2 Commission payable: breakdown

	Values at 31/12/18	Values at 31/12/17
7. Services of		
- settlement	11,481,906	12,071,155
- custody	5,728,633	6,230,859
- tax services	706,467	504,277
- messaging	514,408	530,690
Total	18,431,414	19,336,981

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. To ensure comparability with the previous financial year, this component was also reclassified for the values at 31 December 2017.

Section 8

NET ADJUSTMENTS/WRITE-BACKS FOR CREDIT RISK (item 130)

8.1 "Net adjustments/write-backs for credit risk relating to financial assets measured at amortised cost: breakdown

Transactions/Income components	Adjustments (1)			Write-backs (2)		Total at 31/12/18	Total at 31/12/17
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Others				
1. Receivables from banks							
- for leasing							
- for factoring							
- other receivables	1,835		2,094	(1,206)	(1,377)	1,346	(1,259,617)
2. Receivables from financial institutions							
Acquired non-performing loans							
- for leasing							
- for factoring							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- other receivables	7,559		8,627	(4,969)	(5,671)	5,545	5,235,839
3. Receivables from customers							
Acquired non-performing loans							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables	19,701		22,485	(12,952)	(14,782)	14,452	(3,882,461)
Total	29,094	-	33,206	(19,127)	(21,830)	21,343	93,761

The provision to the receivable devaluation reserve amounts to 159,220 euro and refers to the impairment of receivables calculated according to IFRS 9 directives.

Section 10

ADMINISTRATIVE COSTS (item 160)

PERSONNEL COSTS (item 160 a)

10.1 Personnel expenses: breakdown

	Values at 31/12/18	Values at 31/12/17
1. Employees		
a) Wages and salaries	7,627,475	8,294,127
b) Social security charges	2,034,047	2,097,428
d) Welfare costs	265,739	271,987
e) Employee indemnity severance provision	594,284	639,259
h) Other expenses	412,633	598,335
2. Other employees in service	26,367	18,390
3. Directors and Auditors	131,963	126,571
5. Recovery costs for employees seconded to other companies	(1,354,947)	(1,279,043)
6. Reimbursements for employees seconded to the Company	2,750,163	2,618,128
Total	12,487,724	13,385,183

The items salaries and wages and social security charges under personnel expenses include contingent assets on VAP social security in previous years for 963,201 euro (813,459 euro on salaries and 149,742 euro on social security charges respectively). The balance on the item "Other expenses" at 31 December 2018 amounts to 412,633 euro, of which 238,477 refers to Cassa Assistenza contributions, 149,174 to meal coupons and the remainder to other minor costs and benefits ("cral aziendale" - social club for company employees and training courses).

To provide a better representation of items in the table, the amounts for previous years referring to item d) welfare costs and e) employee severance indemnity provision were reclassified.

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

10.2 Average number of employees by category

Category	31/12/17	Recruitments	Resignations	Promotions	31/12/18	Average
Executives	7	0	0	1	7	7.5
Middle Managers	72	1	-3	0	72	71.0
Administrative staff	31	2	-1	-1	31	31.0
Total employees	110	3	-4	0	110	109.5
Secondments IN	26	5	0	0	26	28.5
Secondments OUT	-15	0	-1	0	-15	-15.5
Total employees and seconded employees	121	8	-5	0	121	122.5

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 COSTS (item 160 b)

10.3 Other administrative expenses: breakdown

	Values at 31/12/18	Values at 31/12/17
Third-parties services	14,135,304	17,328,571
Tax charges	1,359,360	2,230,780
Other expenses	881,692	728,960
Hire and leasing	28,779	28,734
Consumables	4,463	41,087
Membership fees	39,863	-
Total other administrative costs	16,449,461	20,358,132

Third-parties services item includes ICT (Information Communication Technology) services costs for 10.4 million euro, consulting and professional services fees for 2 million euro, office operational costs for 1.6 million euro and insurance costs for 0.1 million euro.

The table below shows a breakdown of the fees for services provided by the auditing company EY S.p.A. pertaining to the 2018 financial year (net of out of pocket expenses and supervision contribution and VAT):

Type of services	Entity that provided the service	Beneficiary of the service	Fees
Accounting audit			
Legal accounting audit	EY S.p.A.	Monte Titoli S.p.A	48,800
Other services			
Other auditing services (Reporting Package)	EY S.p.A.	Monte Titoli S.p.A	26,300
Certification services			
Certification services	EY S.p.A.	Monte Titoli S.p.A	1,400
Total			76,500

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

Section 12

NET VALUE ADJUSTMENTS/WRITE-BACKS TO TANGIBLE ASSETS (item 180)

12.1 Net adjustments/write-backs on tangible assets: breakdown

Assets/Income components	Depreciation (a)	Adjustments due to impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Tangible assets				
A.1 own assets				
- operational use				
a) land	-	-	-	-
b) buildings	-	-	-	-
c) furniture	-	-	-	-
d) instrument assets	-	-	-	-
e) other	4,344	-	-	4,344
- For investment				
- Inventories	-	-	-	-
Total	4,344	-	-	4,344

Section 13

NET VALUE ADJUSTMENTS/WRITE-BACKS TO INTANGIBLE ASSETS (item 190)

13.1 Net adjustments/write-backs on intangible assets: breakdown

Assets/Income components	Depreciation (a)	Adjustments due to impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill				
1.1 own assets	8,481,430	-	-	8,481,430
Total	8,481,430	-	-	8,481,430

Section 14

OTHER OPERATING INCOME AND COSTS (item 200)

This item, which amounts to negative 11,912 euro (1,344,752 euro positive), 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 10,839,672 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 31/12/18	Values at 31/12/17
1. Current taxes	10,947,119	9,896,292
2. Change in current taxes of previous years	(84,129)	(4,536)
4. Change in prepaid taxes	-	-
5. Changes in deferred taxes	(23,318)	84,455
Total taxes for the year	10,839,672	9,976,211

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 31/12/18	Values at 31/12/17
Ordinary applicable rate	27.50%	27.50%
Increase/Decrease changes	-0.37%	-0.84%
	27.13%	26.66%

PART D – OTHER INFORMATION

On 19 December 2017, a new contract was signed with the outsourcer SIA S.p.A effective 1 January 2018, which provides for new extremely improved financial conditions for Monte Titoli S.p.A.

Payment agreements based on own equity instruments

Long term incentive share plan

Below is the information reported as requested by IFRS 2 on the subject of payments based on shares or options on shares.

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 shall 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 50% balance of the Granted shares: the number of shares to be awarded upon expiration of individual plans shall be determined on the basis of the growth in EPS or adjusted return per LSEG share.

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.

The **Performance related Equity Plan** was conceived to reward a selected group of highly performing employees showing a 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 LSEG Group to members if the performance conditions are achieved;
- the **Share Option Award** in the form of an option with an exercise price (i.e. the price that a member must pay for taking possession of a single share), and this, too, is subject to the same performance conditions as the restricted share award.

Both awards 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 shall 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 awarded: the number of shares to be awarded upon expiration of individual plans shall 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 did not increase, the employee shall not be bound 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 overall cost as of 31 December 2018 for the award of shares and options on shares is 476,842 euro 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:

Number of shares	Share Options	SAYE	LTIP	Totale
Opening balance 01/01/2018	0	11,553	53,209	64,762
Granted shares		2,833	16,409	19,242
Transferred shares				0
Exercised shares		(3,047)	(18,264)	(21,311)
Forfeited shares		(126)		(126)
Lapsed shares		(127)		(127)
End closing balance 31/12/2018	0	11,086	51,354	62,440

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

2018	The fair value of share awards and share options granted during the year was determined using a stochastic valuation model. The key assumptions used in the valuation were as follows:						
	SAYE Sharesave Plan	LSEG LTIP Performance Shares		LSEG LTIP Matching Shares		Restricted Share Award Plan	
Date of grant	17-May-18	26-Apr-18	08-Aug-18	02-Oct-18	26-Apr-18	26-Apr-18	02-Oct-18
Grant date share price	£44.98	£42.97	£45.10	£45.19	£42.97	£42.97	£45.19
Expected life	3.3 years	3 years	3 years	3 years	3 years	0.8 years to 2.8 years	1.0 year to 1.7 years
Exercise price	£34.37 to £34.67	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	1.15%	1.60%	1.53%	1.54%	1.60%	1.60%	1.54%
Risk-free interest rate	0.98%	0.94%	0.84%	0.91%	0.94%	0.73% to 0.92%	0.75% to 0.80%
Volatility	25%	25.30%	24.78%	23.60%	25.30%	16.6% to 25.4%	16.3% to 17%
Fair value	£12.81 to £12.99	-	-	-	-	£41.05 to £42.39	£44.02 to £44.50
Fair value TSR	n.a.	£17.37	£16.18	£14.95	£17.37	n.a.	n.a.
Fair value EPS	n.a.	£40.96	£43.08	£43.15	£40.96	n.a.	n.a.

IFRS 2 - paragraphs 46 and 47

46 - An entity shall disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.

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 granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:

- 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;
- how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
- 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.

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 2018:

Borsa Italiana S.p.A.

	Revenues	Receivables
Custody and administration	4,638,611	1,046,743
Capitalization Software	-	108,189
Refund application	-	195,701
Capitalization Software		6,930
	Costs	Payables
Third-parties services (IT, rentals, operations, consulting)	1,660,609	219,656
Amortizations and depreciations	64,913	-
Personnel seconded	1,342,801	451,137

Cassa di Compensazione e Garanzia S.p.A.

	Revenues	Receivables
Custody, administration and settlement	3,753,690	286,571
Personnel seconded	162,068	72,616
Other operating income	5,000	
	Costs	Payables
Services of third parties (IT)	107,360	-

LSE Group plc

	Costs	Payables
Insurances	100,725	
Consulting	269,686	564,400

Bit Market Services S.p.A.

	Costs	Payables
Third-parties services (IT, rentals, operations, consulting)	54,900	-

EuroTLX SIM S.p.A.

	Revenues	Receivables
Custody, administration and settlement	145,424	24,985
	Costs	Payables
Personnel seconded	214,483	33,705

MTS S.p.A.

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

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

	Revenues	Receivables
Refund application	-	288,488
	Costs	Payables
Services of third parties (rental, operations, consulting)	1,480,622	-
Receivables IRES for tax consolidation	-	786,926

LSE Plc

	Revenues	Receivables
Other receivables	-	10,627
Capitalization Software	-	4,188
	Costs	Payables
Third-parties services (IT, Management fees)	253,049	92,427

LSEG Business Services Ltd

	Revenues	Receivables
Capitalization Software		981
	Costs	Payables
Services of third parties (IT)	234,303	234,436

LCH Clearnet Ltd

	Revenues	Receivables
Custody, administration and settlement	154,732	39,115

LCH Clearnet S.A.

	Revenues	Receivables
Custody, administration and settlement	538,367	84,326

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 2018 to the members of the Board of Directors, Board of Statutory Auditors and to the Key managers of the Company:

Directors and Key Managers	1,079,249
Auditors	71,600

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

a. Benefits to short-term employees	721,938
b. Post-employment benefits	33,316
c. Other long-term benefits	-
d. Severance benefits	65,927
e. Payments based on shares	198,343
Total	1,019,524

Share based payments

Plan	Number of shares	Assignment date
LSEG Italian Sharesave Scheme - 2017	319	03/04/17
LSEG Italian Sharesave Scheme - 2018	276	01/06/18
London Stock Exchange performance share award	7,436	17/03/16
London Stock Exchange performance share award	7,363	03/04/17
London Stock Exchange performance share award	5,627	26/04/18
LSEG Matching Share Award (2014) - Apr 2018	4,951	26/04/18
Total	25,972	

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 (General Manager).

Management and coordination

It is noted that as of the date of the financial statements for the year ended 31 December 2018, 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 2017. 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 2017, 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.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

(Amounts in €/1000)

31-dic-17

Assets

Non-current assets	1,441,314
Totale attività correnti	10,371

TOTAL ASSETS	1,451,685
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Liabilities

Non-current liabilities	195,808
Current liabilities	85,098

TOTAL LIABILITIES	280,906
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NET ASSETS	1,170,779
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EQUITY

Capital reserves attributable to the Company's equity holders

Share capital	350,000
Reserves	681,385
(loos)/profit of the period	139,394

TOTAL EQUITY	1,170,779
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STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2017*(Amounts in €/1000)***31-dic-17**

Revenues	160,257
TOTAL REVENUES	160,257
Employee's costs	1,088
Service costs	10,780
Depreciations and amortization	1,312
Operating expenses	216
TOTAL OPERATING COSTS	13,396
Finance income	9
Financ expenses	8,287
PROFIT BEFORE TAX	138,583
Taxes	811
NET INCOME	139,394
Other elements with an impact on Shareholders' Equity	17
TOTAL NET INCOME	139,411

FINANCIAL STATEMENTS APPROVAL

The draft financial statements were approved by the Board of Directors on 22 March 2019 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:

	31/12/18	31/12/17
Paper-based financial instruments	23,177,052,345	19,246,156,893
Dematerialised financial instruments	2,695,176,329,289	2,680,325,856,219
Total	2,718,353,381,634	2,699,572,013,111

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.

Risks management

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

These financial statements at 31 December 2018 provide a true and correct representation of the financial and equity situation and the economic result at the aforementioned date.

Milan, 22 March 2019

On behalf of the Board of Directors
The Chairman
Paolo Cittadini

SCHEDULES

ANALYSIS SCHEDULE OF BREAKDOWN OF SHAREHOLDERS' EQUITY ITEMS AT 31/12/2018

(amounts in Euro)

Nature/description	Amount	Possibility of utilisation	Portion available for distribution	Summary of draw downs made in past three years	
				To cover losses	For other reasons
Share capital	16,000,000				
Guarantee provision pursuant to Art 32, par. 1 CONSOB Regulation 11678/98	8,000,000	D	-		
Capital reserves					
Share premium reserve	-	A, B, C	-		
Income reserves					
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>	26,646	E	-		
Profits brought forward	74,782,771	A, B, C	74,782,771		
Reserve from transition to IFRS	507,538	A, B, C	507,538		
Provision for the purchase of Parent Company shares	1,406,166	E	-		
Total	104,302,664		75,669,852		
of which non-distributable portion			-		
of which residual distributable portion			75,669,852		

STATEMENT OF MOVEMENTS IN TANGIBLE AND INTANGIBLE ASSETS

Tangible assets

Net value	Balance at 01/01/18	Increases	Dispositions and depreciation	Decreases	Balance at 31/12/18
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Furniture	-	-	-	-	-
Plants and systems	-	-	-	-	-
Others	4,344	-	4,344	-	1
Works in progress and prepayment	49,945	6,574	-	-	56,519
Total	76,354	-	22,065	-	56,520

Amortisation provisions	Balance at 01/01/18	Amortisation portions	Write-offs	Decreases	Balance at 31/12/18
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Furniture	-	-	-	-	-
Plants and systems	-	-	-	-	-
Others	452,784	4,344	-	-	457,128
Total	452,784	4,344	-	-	457,128

Historic cost	Balance at 01/01/18	Increases	Revaluations	Decreases	Balance at 31/12/18
Land	-	-	-	-	-
Buildings	-	-	-	-	-
Furniture	-	-	-	-	-
Plants and systems	-	-	-	-	-
Others	457,128	-	-	-	457,128
Works in progress and prepayment	49,945	-	-	-	49,945
Total	507,073	-	-	-	507,073

Intangible assets

Net value	Balance at 01/01/18	Increases	Dispositions and depreciation	Decreases	Balance at 31/12/18
Costs of formation and expansion	-	-	-	-	-
Franchises, licenses, similar rights	14,430	-	14,430	-	0
Other intangible assets	20,904,413	4,525,420	8,466,998	-	16,962,835
Works in progress and prepayment	973,466	4,500,350	-	4,525,420	948,396
Total	21,892,309	9,025,770	8,481,428	4,525,420	17,911,231

Amortisation provisions	Balance at 01/01/18	Amortisation portions	Write-offs	Decreases	Balance at 31/12/18
Costs of formation and expansion	1,006,330	-	-	-	1,006,330
Franchises, licenses, similar rights	4,308,735	14,432	-	-	4,323,167
Other intangible assets	38,743,362	8,466,998	-	-	47,210,360
Total	44,058,426	8,481,430	-	-	52,539,856

Historic cost	Balance at 01/01/18	Increases	Revaluations	Decreases	Balance at 31/12/18
Costs of formation and expansion	1,006,330	-	-	-	1,006,330
Franchises, licenses, similar rights	4,323,166	-	-	-	4,323,166
Other intangible assets	59,647,774	4,525,420	-	-	64,173,194
Works in progress and prepayment	973,466	4,500,350	-	4,525,420	948,396
Total	65,950,736	9,025,770	-	4,525,420	70,451,085

MONTE TITOLI S.P.A.

Registered office in Milan - Piazza degli Affari 6

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

Tax number and registration

in the Companies Register of Milan no. 03638780159

Company subject to the management and coordination of

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

**BOARD OF STATUTORY AUDITORS REPORT TO THE SHAREHOLDERS' MEETING
CONVENED TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2018, PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL
CODE**

Introduction

During the financial year ended 31 December 2018, the Board of Statutory Auditors conducted the functions stipulated under Art. 2403 et seq. of the Italian Civil Code. The legal audit is entrusted to the auditing firm EY S.p.A.

This report was approved on a collegial basis and with enough time to be filed at the Company's registered office within 15 days prior to the date set for the Shareholders' Meeting called to approve the Financial Statements commented on.

The formulation of this report was based on the provisions set by law and Regulation 7.1 of the "*Board of Statutory Auditors Code of Conduct - Principles of conduct referring to unlisted companies Board of Statutory Auditors*", issued by the Italian National Council of Accountants [CNDCEC].

Knowledge of the company, risks assessment and report on the tasks assigned

Given the consolidated knowledge that the Board of Statutory Auditors has regarding the Company and with regard to:

- i) the type of activity conducted;
 - ii) the Company's organisational and accounting structure;
- also taking into consideration the size and problems of the business, the "planning" stage in the supervisory function - where an assessment is made of the intrinsic risks and critical aspects referring to the aforementioned two parameters - was implemented based on the information already acquired over time.

It was therefore possible to confirm that:

- the core business carried out by the Company is consistent with what is stated in the corporate purpose and has not changed during the period in question;
- the organisational structure, the computer equipment and human resources utilised appear adequate for the business.

This report therefore summarises the activity regarding 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 stipulated by legislation;
- on compliance and the proposals regarding the financial statements;
- on any complaints received by shareholders pursuant to Art. 2408 of the Italian Civil Code.

From a time frame perspective, the activities conducted by the Board of Statutory Auditors referred to the entire financial year, during which meetings were duly held pursuant to Art. 2404 of the Italian Civil Code. Minutes were duly prepared for these meetings, which were then signed to confirm their unanimous approval.

Activities carried out

During the periodic verification carried out, the Board of Statutory Auditors took note of developments in the Company's activities, paying close attention to any contingent and/or extraordinary problems, so as to identify their economic and financial impact on the results for the period and the asset structure.

The Board of Statutory Auditors made a periodic assessment regarding the adequacy of the corporate organisational structure and any changes in relation to the minimum requirements envisaged by the Company's performance.

Relations with personnel operating in the Company and with the Auditors were based on reciprocal collaboration with regard to 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 management events was adequate in relation to ordinary corporate events, and they can be deemed to have sufficient knowledge regarding corporate problems.

In the scope of the coordination function with other supervisory bodies, we met with 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, which would require mentioning in this report.

The Board of Statutory Auditors established an Audit Committee, as required by Art. 48 of the EU Delegated Regulation no. 392/2017, and approved the regulations governing the Committee's activities. The Audit Committee will become operational with effect from the authorisation in terms of the European Central Securities Depository Regulation (CSDR).

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

In terms of 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 in turn, is indirectly controlled by London Stock Exchange Group Plc.

In respect of what it was possible to discern during the activities undertaken during the financial period, the Board of Statutory Auditors can confirm that:

- the decisions taken by the Shareholders' Meeting and the Board of Directors complied with legislation and the Articles of Association, and were not manifestly imprudent or such that they would definitively compromise the integrity of company 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 taken by the Shareholders' Meeting or Board of Directors, or were such that they would compromise the integrity of company 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 and/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, referring to intercompany 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 company interests;
- no additional significant facts emerged during the supervisory activities that would require mention in this report;
- no interventions were made regarding omissions by the Board of Directors in terms of 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 year ended 31 December 2018 were approved by the Board of Directors and prepared in accordance with the International Financial Reporting Standards adopted by the European Union.

The Report on Operations was prepared by the Board of Directors.

These documents were sent to the Board of Statutory Auditors with enough time to be filed at the Company's registered office, accompanied by this Report, and this irrespective of the deadline stipulated under Art. 2429, paragraph 1 of the Italian Civil Code.

The legal audit is entrusted to the auditing 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, or stated that it was impossible to express an opinion or provide disclosures. The opinion issued was positive, and confirms that the financial statements at 31 December 2018 were compliant with the International Financial Reporting Standards adopted by the European Union.

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

- attention was given to the layout of the draft financial statements, their general compliance with the law regarding the format 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 to make.

Results for the period

The net result confirmed by the Board of Directors relating to the year ended 31 December 2018 is positive for € 21,697,221.

Conclusions

Based on what is set out above and the Board of Statutory Auditors knowledge and periodic verification conducted, the Board unanimously considers that there are no impediments to your approval of the draft financial statements for the year ended 31 December 2018, as prepared and duly proposed by the Board of Directors.

Milan, 4 April 2019

The Chairman
(Roberto Ruozi)

The Statutory Auditor
(Mauro Coazzoli)

The Statutory Auditor
(Giuseppe Levi)



Monte Titoli S.p.A.

Financial statements as at 31 December 2018

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 2018, 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 2018, 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 2018, 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 2018 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 2018 and comply with the applicable laws and regulations.

With reference to the statement required by art. 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, 4 April 2019

EY S.p.A.
Signed by: Mauro Iacobucci, partner

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