Monte Titoli S.p.A.

Financial statements for the year ended 31 December 2019

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

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FINANCIAL HIGHLIGHTS

Financial Highlights		
(amounts in thousands of euro)		
Economic indicators	Financial Year 01/01/2019 - 31/12/2019	Financial Year 01/01/18 - 31/12/18
Net Revenues (*)	71,013	70,152
Ebitda	40,509	41,193
Ebitda margin	57.0%	58.7%
Ebit	31,878	32,707
Ebit margin	44.9%	46.6%
Net profit	21,193	21,697
(in % of Revenues)	29.8%	30.9%
ROE	20.4%	21.0%
Dividends	21,120	21,600
Equity indicators	Financial Year 01/01/2019 - 31/12/2019	Financial Year 01/01/18 - 31/12/18
Shareholders' Equity	103,832	104,303
(**) Net Financial Position (- debt / + cash)	90,610	88,864
Efficiency indicators	Financial Year 01/01/2019 - 31/12/2019	Financial Year 01/01/18 - 31/12/18
Average number of employees	123	123
Revenues/employees	577	573
Ebit/employees	259	267

(*) Commissions receivable - Commissions payable + other revenues

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

REPORT ON OPERATIONS OF MONTE TITOLI S.P.A. FOR THE YEAR ENDED 31 December 2019

Dear Shareholders,

The financial statements as of 31 December 2019, which the Board of Directors presents for your approval, show a net profit of 21,193,379 euro.

MONTE TITOLI AND THE REFERENCE CONTEXT

In 2019, the Monte Titoli's revenue remained stable, confirming the trend of the last few years. The decline of corporate issues, in particular for banks, which began in 2014 stabilised over 2019 (€ 540 billion the annual average).

Management's efforts in 2019 continued to be focused on cost saving and on the simplification of processes/services through a detailed analysis of the operating processes based on the Lean Six Sigma method.

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

Besides the continual strengthening of relations with domestic banks, the team that manages relations with customers concentrated on the opportunities deriving from full implementation of T2S and on the strategic choices of the large international financial institutions to be able to take advantage of the new operating context.

It must be stressed that the decisions in this sense were slowed down by the impacts of Brexit, but resumed in the second half of the year with a concrete interest in opening an account directly at Monte Titoli during 2020.

In February 2019, Monte Titoli migrated the international portfolio from Clearstream Banking Luxembourg to Euroclear Bank. The migration made it possible to improve by 6% the marginality of the international custody service, but above all the transfer of the settlement of ETFs to Euroclear Bank, where most of the trading intermediaries operate, made it possible to transfer to customers savings of more than € 300,000 euro in settlement costs, deriving from the higher level of operations "internal" to the Euroclear settlement system.

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.

Since May 2019 customers of the SEDEX market segment of Borsa Italiana (Certificates and Covered Warrants) have been able to benefit from a bilateral netting function with savings on settlement costs of more than € 1.5 million a year. The new function implemented by Monte Titoli makes it possible to reduce by 65% the securities settlement operations sent to Target 2 Securities.

In July 2019, Monte Titoli completed the release of the DVP issuance service which makes it possible to settle securities and cash at the same time on issue: the number of operations that benefited from the new function was 298 issues (operations completed).

On 18 December 2019 the Supervisory Authorities authorised Monte Titoli to operate under the terms of the Central Securities Depository Regulation (CSDR).

In operational terms, as of 31 December 2019 Monte Titoli processed, through the T2S platform, 44.4 million instructions in total, settling on average 96% of these on the same day.

The custody system has managed volumes equal to € 3,329 billion, of which approximately € 230 billion are represented by foreign financial instruments centralised through other Central Depositories.

As of 31 December 2019, 2,649 issuers and 188 intermediaries, including domestic and foreign Central Counterparties as well as other CSDs, accessing the Italian financial market through Monte Titoli, were participating in Monte Titoli's system.

In 2019, Monte Titoli carried on according to the plans set forth with the Agility & Growth 2018-2020 programme, a three-year investment formulated to address two strategic objectives:

- making operating processes more efficient;
- digital transformation.

The revision of the Operating Processes ha achieved the quantitative objective set for the year of 41 processes out of a total of 88 and is positively set for completion during 2020.

At the level of the second pillar of the project, that of digital transformation (Data Analytics), we completed the new IT architecture necessary to support the new Data Management structure in preparation for the new analytical management of data. This change enabled the creation of more than 30 Digital Dashboards that were made available to customers, the Monte Titoli management and the various operating structures bringing with them an increase in both the quality and the quantity of the information available leading to a sharp improvement in the control of the processes, with a related decrease in operational risks.

During 2019 the number of robots brought into production doubled compared to the previous year bringing the total to 16 active robots. In particular the activity of the robots covers the different areas with low added value, enabling a qualitatively better use of the operating resources employed in the specific sector.

It is worth noting that, to make the revision of the operating processes as effective as possible, Monte Titoli chose to make use of the Lean Six Sigma method. This method was introduced through a staff training stage, the creation of a series of Green and Black Belts and finally with the application of the said method for optimising the identification of waste and of opportunities to increase the activities with more added value with the operating functions.

Again during the whole of 2019 Monte Titoli also introduced a series of updates aimed at making relations with issuers simpler and more efficient: the elimination of the BIC SWIFT code obligation for participation in the services, the elimination of the Anti Money Laundering form, the creation of a single access point for on-boarding and finally, thanks to the synergies created with the online listing of Borsa Italiana, the reduction of times for the acceptance of new listed instruments at T+0 (specifically certificates and covered warrants).

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

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

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

2.1 THE MAIN MONTE TITOLI INITIATIVES

As already mentioned there was no lack of full support also to the Stock Exchange segments.

In particular, the segments of Certificates and ETFs, which in the last few years have become increasingly important for the group and which during 2019, 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 the Group’s 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.

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

The Yankee Bond funding instrument confirmed the role of Monte Titoli as a CSD Issuer and Tax Representative with 4 new issues in 2019 (one from F-Brasil-Forgital Group, one from ENI and two from Unicredit) for a nominal total issued value of US$ 5.75 billion.

Finally, greater collaboration and a structured exchange of information with Borsa Italiana resulted in the listing of Italian ABSs on the ExtraMOT-Pro platform, in contrast with the current listing in Ireland and Luxembourg (20 ABSs in 2019 for a nominal value of € 23.4 billion).

2.2 FINANCIAL RESULTS

The 2019 financial year closed with a net result of 21.2 million euro (21.7 million euro at 31 December 2018).

Total gross operating revenues in the period amounted to 93.9 million euro (88.6 million euro at 31 December 2018), of which 57.5 million euro (55.9 million euro at 31 December 2018) for custody services, 32.7 million euro (28.9 million euro at 31 December 2018) for clearing and settlement services, 3.6 million euro for fiscal services (3.7 million euro at 31 December 2018) and other services 0.1 million euro (0.2 million euro at 31 December 2018). The intermediation commissions paid to the foreign CSDs and to the ECB amount to 22.8 million euro (18.4 million euro at 31 December 2018).

Custody	**31/12/19**	**31/12/18**	**% Change**
Values of securities (€/billions)	**3,391.0**	**3,254.5**	**4.2%**
Government bonds	1,976.8	1,945.2	1.6%
Bonds	562.3	549.6	2.3%
Shares and CW	621.8	553.6	12.3%
Deposits for judicial authorities	3.9	3.9	0.4%
NCSD	121.3	112.7	7.6%
ICSD	104.9	89.5	17.2%

Settlement Instructions (ml)	**2019**	**2018**	**% Change**
Settlement Instructions (double counted - ML)	44.4	45.4	-2.3%

Costs relating to the structure and management were consistent with the activities performed. In detail, personnel expenses amounted to € 13.8 million (€ 12.5 million at 31 December 2018).

Other administrative expenses including intercompany costs amounted to € 16.5 million (€ 16.4 million at 31 December 2018) in line with the previous year. Depreciation and amortisation amounted to € 8.6 million (€ 8.5 million at 31 December 2018).

The net operating margin is equal to 31.7 million euro, compared to 32.5 million euro for the financial year ended at 31 December 2018.

In the balance sheet fixed assets, net of valuation allowances, amount to 14.1 million euro mainly consisting of investments in intangible assets. The decrease of 3.8 million euro in intangible assets is mainly attributable to the amortisations for the period.

The Company Equity is equal to 103.8 million euro, and includes the operating profit for the financial year ended 31 December 2019 amounting to 21.2 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.

2.3 INFORMATION RELATING TO EMPLOYEES AND THE ENVIRONMENT

As of 31 December 2019, the organizational structure is made up by a total of 105 employees (109 at 31 December 2018): 8 Executives, 72 Middle Ranking Managers and 25 employees, as well as 30 employees seconded from other companies of the Group, and 16 employees seconded to other companies of the Group. The average age is 50.8 years and 33% of the workforce is female. The average length of service is 22.9 years. During the financial year, no causalities 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

Monte Titoli is the Italian central securities depository, which operates a securities settlement system through the T2S platform and provides mainly notarial, centralised accounting and liquidation services, and ancillary services of a non-banking kind that do not entail credit or liquidity risks connected with the settlement service or the notarial and bookkeeping services at the highest level. The risks of Monte Titoli, which may have an impact on the financial statements items or give rise to liabilities, are therefore not necessarily those typical of financial companies but are mostly operational risks.

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

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

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

The second line of defence is made up of the Risk Management and Compliance units, respectively responsible for the defining the risk management process and for compliance with the company's regulations and policies. These units perform an independent control of the activities of the first line of defence concerning the assessment and management of risks and compliance with the company's policies and the applicable legislation;

The third line of defence consists of the Internal Audit unit, which has the task of providing an independent assurance to the Board of Directors with regard to the effectiveness of the internal control systems and the risk governance.

The fundamental document that governs the Risk Management activities is the Risk Appetite Framework, which defines the risk propensity that the company is willing to accept in achieving its strategic objectives. The Risk Appetite Framework is integrated into the corporate governance and supported by the Risk Management Framework. The Risk Appetite Framework is defined and documented by the Risk Committee. The Board of Directors checks its consistency with the strategic objectives. The 2019 Risk Appetite Framework was approved by the Board of Directors meeting held on 22 March 2019. The company risk profile is monitored regularly, and presented to the Board of Directors during Board meetings.

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

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

Legal Risk

Monte Titoli operates in a regulated sector and, as such, in addition to complying with the provisions of corporate law as well as national and European provisions of law and regulations, must comply with the authorisation requirements to operate as a Central Depository and is subject to the supervision of the Bank of Italy and Consob. Accordingly, Monte Titoli engages in open dialogue with the Supervisory Authorities and constantly monitors regulatory changes.

Moreover, procedures that ensure compliance with the applicable provisions of law and regulations are adopted and constantly updated. The Supervisory Authorities interact with Monte Titoli through working teams set up especially for this purpose, before proposing new regulations or changes that may have an impact on the Company’s core business.

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

On 18 December 2019 Monte Titoli was authorised to perform the Central Depository activities 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 Central Depositories.

Competition

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

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

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

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

Business Risk

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

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

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

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

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

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

Operational Risk

Operational Risks involve the risk that the Company may suffer economic losses, claims for damages from customers, damage to its image or the enforcement of disciplinary measures from the Supervisory Authorities due to system errors and/or malfunctions. Operational risk may derive from human errors (created, for example, by a lack of staff, little professional refresher training, low quality of human resources), from malfunctioning and anomalies of IT applications (deriving, for example, from inadequate application development methodology, insufficient tests, inadequate software maintenance) or inadequate process architecture.

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

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

In particular, on the subject of limiting operational risks and simplifying processes, at the end of 2019 the digital transformation programme Agility & Grow had simplified 60% of the 88 main operating processes identified, thanks also to the introduction of robotics in the automation of the said processes.

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

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

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

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

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

The business continuity plan enables 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 Coordinator responsible for the definition, updating, periodic assessment, as well as the correct implementation of the Plan. The Plan defines alternative offices, properly equipped with structures and necessary systems for the provision of services in order to continue carrying out business activities. A human resources plan has been implemented to identify key personnel and their relative back-ups, as well as the Committee to be activated in the case of an emergency. The back-up procedures also rely on the availability of key personnel to work from home or remotely.

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 at least once a year.

Technology

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

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

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

In this regard, Monte Titoli again updated its technology during 2018 with regard to part of the infrastructure, basic hardware and software, web-based technology services, with the objective of further consolidating cyber security and the ability to respond to the ongoing requirements of the business sector.

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

In fact, the business risk deriving from service from IT providers that is not perfectly timely and accurate is mitigated by specific contractual terms, which stipulate, among other things, service levels (Service Level Agreements - SLAs) and quantitative parameters (Key Performance Indicators - KPIs). These are monitored and checked on an ongoing basis by the Service Management Department, operating within the Monte Titoli IT Department. This structure also constantly monitors the time required to take charge of and resolve problems/anomalies, by managing the incident management process, based on international methodologies and best practices. During the periodic meetings, generally held on a monthly basis, the recorded contractual values are analysed for the purpose of ascertaining compliance with the contractual terms, reviewing any problems found,with the objective of identifying appropriate corrective and/or improvement measures, if necessary.

The measures for consolidating IT Governance also refer to cyber security; during 2018, in fact, 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 Unit, as required by the applicable regulations issued by the Bank of Italy and Consob.

Italian Legislative Decree 81/2008 Prevention and safety at work

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

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

The Chief Executive Officer performs the functions of Employer under the terms of the legislation on the subject of health and safety of workers. On 31 December 2013, the Chief Executive Officer appointed Andrea Perrone Employer’s Delegate under the terms of Italian Legislative Decree 81/2008. On 18 May 2017, Luca de Simone was appointed Manager of the service for the prevention and protection from professional risks of workers. Fire prevention, first aid and disabled assistance staff were also appointed by the employer’s delegate.

On 31 October 2017 the “Risk Assessment Document” was updated.

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

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

Financial risks

Exchange rate risks

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

Interest rate risks

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

Credit risks

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

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

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

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

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

Liquidity risks

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

2.6 GOVERNANCE AND LEGAL INFORMATION

Name and registered office

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

Date of incorporation and expiry date of the Company

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

Companies' Register

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

Legal form

The Company is an Italian registered joint-stock company.

The following information is not exhaustive and is based on the 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
Francesca Fiore	Independent Director
Valentina Sidoti	Director

Board of Statutory Auditors

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

Roberto 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

Risk Committee

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

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

Remuneration Committee

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

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

Board of Arbitrators

Emanuele Rimini Chairperson
Matteo Rescigno
Carlo A. Favero

Disciplinary Board

Mario Notari Chairperson
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.

The Monte Titoli governance system reflects the requisites provided for in European Regulation no. 909/2014 (CSDR), under the terms of which Consob, in agreement with the Bank of Italy, authorised Monte Titoli to provide the services as central depositary, with a resolution of 18 December 2019.

The **Board of Directors** is responsible for the strategic guidance 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 in the first meeting after the appointment or the learning of the fact that the requirements no longer exist, shall resolve upon the existence of the above-mentioned requirements.

In compliance with the provision of the 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 Chairpersons, the determination of the remunerations of directors and auditors, the conferral of the accounting audit appointment and the responsibilities of directors and auditors; on an extraordinary basis, it is responsible for amendments to the Articles of Association and extraordinary transactions such as capital increases, mergers and de-mergers, without prejudice to the powers attributed to the Board by Article 21 of the Articles of Association, as already mentioned.

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

The Company's purpose

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

The Company may 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.

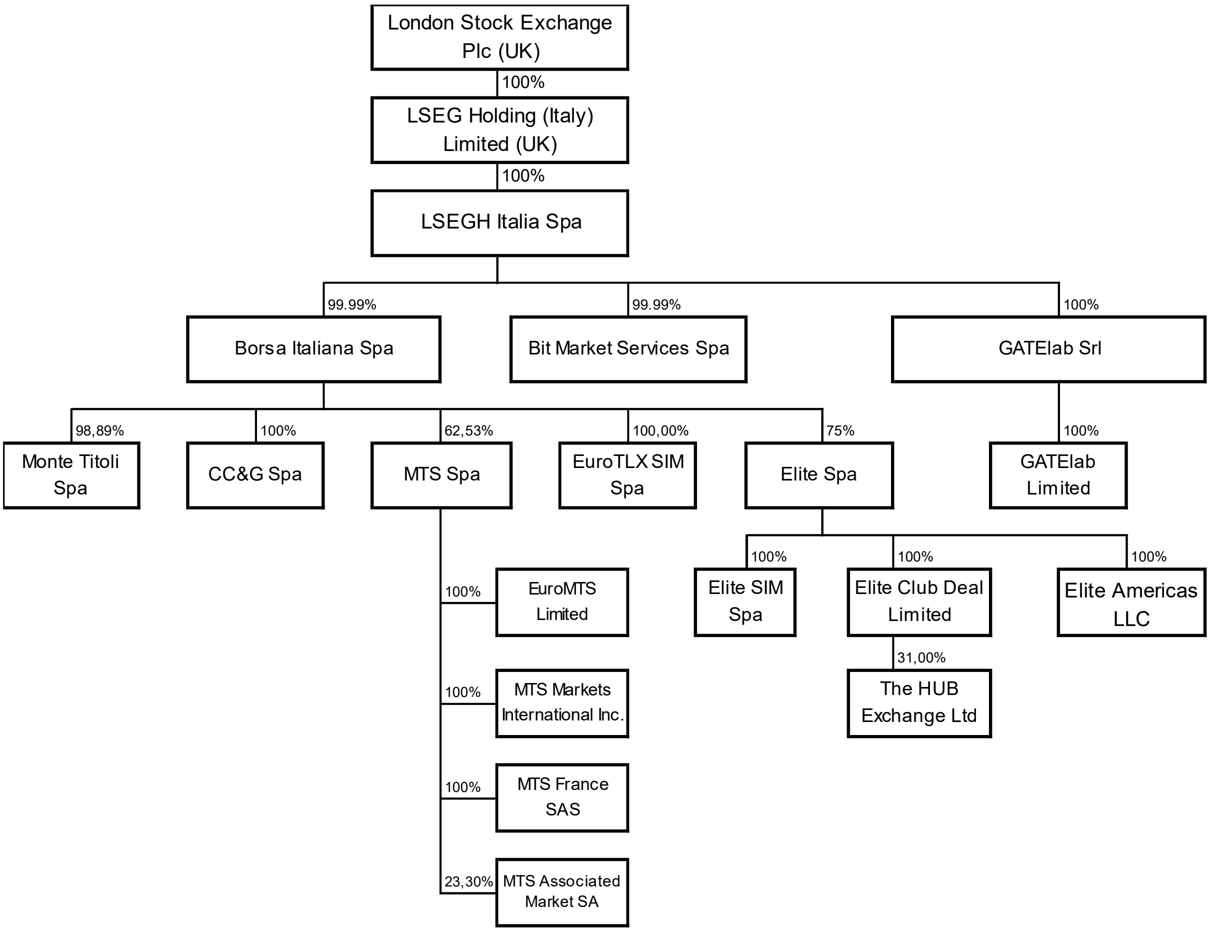
Share capital

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

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

Group structure

Pursuant to Article 2497 and subsequent of the Italian Civil Code, at 31 December 2019, Monte Titoli S.p.A. was subject to management and coordination of London Stock Exchange Group Holdings Italia S.p.A., which is in turn controlled by London Stock Exchange Group Holdings (Italy) Limited.



Monte Titoli holds no shareholdings.

Shareholding structure

The shareholding structure of Monte Titoli S.p.A. as at 31 December 2019 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	1.000
REALI HOLDING S.r.l.	2,352	0.0147
Ms Gianna BREGLIANO	5,196	0.0325
CELLINO E ASSOCIATI SIM S.p.A.	20	-
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

At the end of 2019, a group of cases that showed the symptoms of a "pneumonia of unknown cause" were identified in Wuhan, the capital of the Chinese province of Hubei. On 31 December 2019, China informed the World Health Organisation (WHO) of this new virus. On 30 January 2020, the WHO health regulations emergency committee declared the epidemic a "public health emergency of international interest". Since then, an ever-increasing number of cases have been diagnosed, including in other countries and increasingly restrictive measures have been taken both by China and by the other countries affected by the virus.

The slowdown and, in some cases, the closure of productive activity and services triggered by the countermeasures implemented to contrast the rapid spread of the coronavirus epidemic, together with the collapse of oil prices caused by the deterioration of the diplomatic relationship between the USA and Saudi Arabia, are entailing a further downward revision of the forecasts for global growth (from 2.7% to approximately 2% for the end of 2020). To combat the expected macroeconomic weakness, both Central Banks and governments have announced expansive measures through monetary and fiscal channels which, reasonably, could be destined to produce positive effects with a recovery of the risk appetite envisaged not before the second half of 2020. Before then, the economic framework seems destined to worsen further compared to the current levels, most likely implying a technical recession in the first quarter of 2020 and in the second quarter of 2020 for the Eurozone and Italy and a slowdown at the global level.

The uncertainty on the continuation of the crisis in progress could also make the markets extremely volatile in the short and medium term, irrespective of the nonetheless important political appointments (Brexit and the US elections) which, at least for now, remain in the background in the scale of drivers capable of conditioning the performance of the markets.

At the moment, no quantifiable financial impacts are expected to result from the events described, nor can indicators of impairment on the Company's financial assets be detected from them.

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.

On 21 February 2020, the Monte Titoli Remuneration Committee met for the first time.

In compliance with the requirements provided for in the legislation (CSDR) the Remuneration Committee submits its recommendations for approval by the Board of Directors, taking into account the group's remunerative framework and policies, the preparatory work of the Human Resources unit and any pertinent legal and regulatory requirements, rules and recommendations.

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

Dear Shareholders,

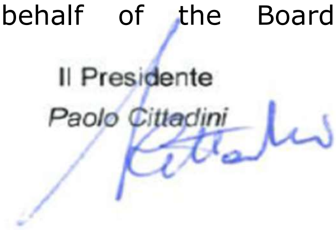
We invite you to approve the financial statement at 31 December 2019 (Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes), as presented to the Board of Directors, in their entirety and as single items and to allocate the net profit of 21,193,378.75 euro as follows:

- to the Shareholders, as a dividend equal to 1.32 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 21,120,000 euro;
- the remaining profit in the amount of 73,378.75 euro to the Reserves.

The dividend equal to 21,120,000 euro in the amount of 1.32 euro for each of the 16,000,000 ordinary shares shall be payable starting from 05 May 2020.

Milan, 25 March 2020

On behalf of the Board of Directors



FINANCIAL STATEMENTS AT 31 December 2019

BALANCE SHEET

ASSETS		31/12/19	31/12/18
40	Financial assets measured at amortised cost	101,330,636	97,960,332
	a) receivables from banks	97,995,750	94,774,685
	b) receivables from financial companies	2,546,597	2,599,337
	c) receivables from customers	788,289	586,310
80	Property, plant and equipment	25,397	56,519
90	Intangible assets	14,112,836	17,911,230
100	Tax assets		
	a) current	18,654	-
	b) prepaid	138,612	95,301
120	Other assets	1,008,391	1,053,541
TOTAL ASSETS		**116,634,526**	**117,076,923**

LIABILITIES AND SHAREHOLDERS' EQUITY ITEMS		31/12/19	31/12/18
10	Financial liabilities measured at amortised cost	6,743,541	5,810,473
	a) payables	6,743,541	5,810,473
60	Tax liabilities		
	a) current	-	265,432
	b) deferred	16,885	7,504
80	Other liabilities	4,515,604	5,162,583
90	Employee severance indemnity provision	1,526,036	1,528,266
110	Share capital	16,000,000	16,000,000
150	Reserves	66,675,827	66,578,798
160	Valuation reserves	(36,746)	26,646
170	Profit (Loss) for the year	21,193,379	21,697,221
TOTAL LIABILITIES AND EQUITY		**116,634,526**	**117,076,923**

All amounts are expressed in euro

INCOME STATEMENT

	ITEMS	31/12/19	31/12/18
10	Interest and similar income	1,934	2,861
20	Interest and similar expenses	(222,022)	(173,373)
30	NET INTEREST INCOME	(220,088)	(170,512)
40	Commission income	93,862,946	88,595,033
50	Commissions payable	(22,840,303)	(18,431,414)
60	NET COMMISSIONS	71,022,643	70,163,619
120	INTERMEDIATION MARGIN	70,802,555	69,993,107
130	Net value adjustments for credit risk of:		
	a) financial assets measured at amortised cost	(160,098)	(21,343)
160	Administrative expenses		
	a) personnel expenses	(13,821,287)	(12,487,724)
	b) other administrative expenses	(16,522,449)	(16,449,461)
180	Net value adjustments on property,plant and equipment	(15,268)	(4,344)
190	Net value adjustments on intangible assets	(8,615,919)	(8,481,430)
200	Other operating income and expenses	(9,734)	(11,912)
210	OPERATING COSTS	(39,144,755)	(37,456,214)
260	PROFIT/LOSS OF CURRENT ASSETS BEFORE TAXES	31,657,800	32,536,893
270	Income taxes for the financial year on current operations	(10,464,421)	(10,839,672)
300	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**21,193,379**	**21,697,221**

All amounts are expressed in euro

STATEMENT OF COMPREHENSIVE INCOME

Items	31/12/19	31/12/18
10. Profit (Loss) for the year	**21,193,379**	**21,697,221**
Other comprehensive income, net of taxes, without reversal to income statement		
20. Equities designated at fair value through other comprehensive income		
30. Financial liabilities designated at fair value through profit or loss (changes in own creditworthiness)		
40. Hedging of equities designated at fair value through other comprehensive income		
50. Property, plant and equipment		
60. Intangible assets		
70. Defined benefit plans	(63,393)	19,783
80. Non current assets held for sale		
90. Portions of reserves from valuation of shareholdings valued at equity		
Other comprehensive income, net of 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 through other 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	**(63,393)**	**19,783**
180. Comprehensive income (items 10 + 170)	**21,129,986**	**21,717,004**

All amounts are expressed in euro

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 December 2019

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

All amounts are expressed in euro

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 application of the new international accounting standard IFRS 16, which came into effect for financial statements for the year ended 31 December 2019. This adjustment refers to the accounting for leasing contracts.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 December 2018

	Balances at 31/12/17	Change balances opening	Balances at 01/01/18	Result allocation previous year		Changes in the financial year							omprehensiv income financial Yea	Shareholders' equity 31/12/18
							Transactions on Shareholders' Equity							
				Reserves	Dividends and other distributions	Changes in reserves	Issuing new own	Acquisition own shares	Advances on dividends	Distribution extraordinary dividends	Changes capital instruments	Other changes		
Share capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- of profits	53,404,261		53,404,261	81,074		(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

CASH FLOW STATEMENT

(Direct method)

		Financial year ended 31/12/2019	D Financial year ended 31/12/18
A	***OPERATING ACTIVITIES***		
1	**Operations**	**29,984,664**	**29,839,120**
	interest income received (+)	1,934	2,861
	interest expenses paid (-)	(222,022)	(173,373)
	dividends and similar income (+)		
	commission income	93,862,946	88,595,033
	commissions payable	(22,840,303)	(18,431,414)
	personnel expenses (-)	(13,821,287)	(12,487,724)
	other costs (-)	(16,522,449)	(16,449,461)
	other revenues (+)	(9,734)	(11,912)
	duties and taxes (-)	(10,464,421)	(11,204,890)
	costs/revenues related to discontinued operations net of tax effect (+/-)		
2	**Cash flow generated / absorbed by financial assets**	**(1,802,112)**	**10,892,508**
	financial assets held for trading		
	financial assets designated at fair value		
	other financial assets with mandatory measurement at fair value		
	financial assets measured at fair value through other comprehensive income		
	financial assets measured at amortised cost	(1,785,297)	10,790,875
	other assets	(16,815)	101,633
3	**Cash flow generated /absorbed by financial liabilities**	**27,810**	**(1,836,304)**
	financial liabilities measured at amortised cost	933,068	(925,699)
	financial liabilities for trading		
	financial liabilities designated at fair value		
	other liabilities	(905,258)	(910,605)
	Net liquidity generated (absorbed) by operating activity	**28,210,362**	**38,895,323**
B	***INVESTMENT ACTIVITY***		
1	**Cash generated from**	**-**	**-**
	sale of shareholdings	-	
	dividends paid on shareholdings	-	
	sale of property, plant and equipment	-	-
	sale of intangible assets	-	-
	sale of business units	-	
2	**Cash flow absorbed by**	**(4,801,671)**	**(4,506,925)**
	acquisition of shareholdings		
	purchases of property, plant and equipment	15,854	(6,574)
	purchases of intangible assets	(4,817,525)	(4,500,351)
	acquisition of business units		
	Net liquidity generated (absorbed) by investment activities	**(4,801,671)**	**(4,506,925)**
C	***FUNDING ACTIVITY***		
	issuing/acquisition of own shares		
	issuing/acquisition of equity instruments	-	-
	distribution of dividends and other purposes	(21,663,393)	(19,660,217)
	Net liquidity generated (absorbed) by funding activities	**(21,663,393)**	**(19,660,217)**
D=A+B+C	**CASH FLOW GENERATED (ABSORBED) DURING THE YEAR**	**1,745,298**	**14,728,181**

RECONCILIATION

E	**Cash and cash equivalents at beginning of the year**	**88,864,206**	**74,136,025**
D	**Total net cash generated (absorbed) during the year**	**1,745,298**	**14,728,181**
E + D	**Cash and cash equivalents at year end**	**90,609,504**	**88,864,206**

All amounts are expressed in euro

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AT 31 December 2019

INTRODUCTION

The notes are divided into the following parts:

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

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

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

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

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

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

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

PART A – ACCOUNTING POLICIES

A.1 GENERAL PART

Section 1 – Declaration of compliance with international accounting standards

The financial statements for the year ended 31 December 2019 were prepared on the basis of going concern assumption and in compliance with IAS/IFRS international accounting standards as illustrated and interpreted by the International Financial Reporting Interpretations Committee (IFRIC) and endorsed by the European Commission.

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

Section 2 – Main principles for reporting

STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS AT 31 December 2019

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

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

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

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

These financial statements for the financial year ended 31 December 2019 refer to the period from 01 January 2019 to 31 December 2019.

The Financial Statements as of 31 December 2019 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.

GROUP TAX REGIMEN

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

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

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

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 endorsed by the European Commission, as provided for by EC Regulation No 1606 of 19 July 2002 as transposed in Italy by Italian 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 2018. The financial statements have been prepared in accordance with the going concern assumption.

NEW STANDARDS APPLICABLE FROM THE FINANCIAL YEAR ENDED 31 December 2019

The Company applied IFRS 16 for the first time. The nature and effect of the changes subsequent to the adoption of this new accounting standard are detailed below.

Various other amendments and interpretations were applicable for the first time in 2019, 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.

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 applied a modified retrospective approach. Data for the comparative period were therefore not reformulated, and were applied with certain simplifications and practical expedients as permitted by the reference standard.

The main information related to IFRS 16 as provided for in paragraphs 58 and 53 letter g) is presented below:

Rights of use

€ 000	Rights of use 2019	Depreciation 2019	Net value 2019
Cars	33	15	18
Total	**33**	**15**	**18**

Financial payables for leasing

€ 000	2019
Analysis by maturity - Gross contractual cash flows (not discounted)	
Less than one year	16
from 1 to 5 years	18
More than 5 years	-
Total gross cash flows	**34**
Total financial payables	**18**
Current	15
Non-current	3

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

Amounts to income statement

€ 000	2019
Interest on financial liabilities recognised on leases	-
Depreciation	15
Aggregate annual cost of short-term leases	-
Aggregate annual cost of leases of low value assets	-

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

The new IAS/IFRS standards and related IFRIC interpretations applicable to the financial statements of years that begin after 1 January 2020, endorsed by the EU at 15 January 2020 are listed, and briefly illustrated, below:

Document title	Date of issue	Date of entry into force	Endorsement date	EU Regulation and date of publication	Notes and references to the present control list
Changes to the references to the Conceptual Framework in the IFRSs	March 2018	1 January 2020	29 November 2019	(EU) 2019/2075 06 December 2019	Application in advance is permitted See questions 514 and 515
Definition of significant – Amendments to IAS 1 and IAS 8	October 2018	1 January 2020	29 November 2019	(EU) 2019/2104 10 December 2019	Application in advance is permitted See questions 516 and 517
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	September 2019	1 January 2020	15 January 2020	(EU) 2020/34 16 January 2020	Application in advance is permitted See questions 518 and 519

The new IAS/IFRS standards and related IFRIC interpretations applicable to the financial statements of years that begin after 1 January 2020, not yet endorsed by the EU at 15 January 2020 are listed, and briefly illustrated, below:

Document title	Date of issue by the IASB	Date of entry into force of IASB document	Expected date of endorsement by the EU
Standards			
IFRS 17 Insurance Contracts	May 2017	1 January 2021 (*)	TBD
Amendments			
Definition of a Business (Amendments to IFRS 3)	October 2018	1 January 2020	Q1 2020

(*) We can note that in June 2019, the IASB published an exposure draft that includes a number of amendments to IFRS 17 and the deferment of entry into force of the new accounting standard to 1 January 2022. At the reference date of the present addendum (15 January 2020) the amendments to IFRS 17 have not yet been definitively approved by the IASB.

At the moment no significant impacts are expected from the adoption of these standards

Section 3 - Events subsequent to the reporting date

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 draft financial statements were approved by the Board of Directors on 25 March 2020 and were authorised for publication on that date (IAS 10).

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

EVALUATION CRITERIA AND ACCOUNTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

Intangible Assets	**Useful life**
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:

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

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

Impairment loss of assets

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

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

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

Non-current assets and groups of assets held for sale

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

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

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

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

Other assets

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

Financial liabilities measured at amortised cost

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

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

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

Debts are cancelled once they are extinguished.

Other liabilities

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

Employee severance indemnity

The employee severance indemnity (hereinafter TFR) pursuant to article 2120 of the Italian Civil Code is subject to an actuarial valuation, based on assumptions regarding the employees' length of service and the remuneration received during a specific period of service.

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

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

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

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

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

Share based payments

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

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

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

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

Revenue and costs recognition

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

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

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

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

Financial income and expenses

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Main Risks and Uncertainties

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

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

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

A.3 INFORMATION ON TRANSFERS BETWEEN PORTFOLIOS OF FINANCIAL ASSETS

There were no reclassifications of financial assets during the year.

A.4 INFORMATION ON FAIR VALUE

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

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

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

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

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

Disclosure of quantitative information

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

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

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

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

- *Level 1*: Quoted prices (without adjustments) on the active market as defined by IFRS 13 for assets or liabilities to be measured.
- *Level 2*: Inputs other than quoted prices included in the preceding paragraph, that are observable either directly (as prices) or indirectly (derived from prices) on the market.

- *Level 3*: The fair value of instruments classified at this level is determined on the basis of evaluation models that mainly use significant inputs not observable on active markets and, therefore, entails estimates and assumptions by the management.

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

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

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

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

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

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

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

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

Disclosure of quantitative information

A.4.5 Fair value hierarchy

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

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

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total at 31/12/2019				Total at 31/12/2018			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets measured at amortised cost	101,330,636			101,330,636	97,960,332			97,960,332
2. Property, plant and equipment held for investment purposes								
3. Non current assets and groups of assets held for sale								
Total	**101,330,636**	**-**	**-**	**101,330,636**	**97,960,332**	**-**	**-**	**97,960,332**
1. Financial liabilities measured at amortised cost	6,743,541			6,743,541	5,810,473			5,810,473
2. Liabilities associated with assets held for sale								
Total	**6,743,541**	**-**	**-**	**6,743,541**	**5,810,473**	**-**	**-**	**5,810,473**

A.4.6 Other Information

At 31 December 2019, there is no information to be reported pursuant to IFRS 13, paragraphs 51, 93 (i), 96 since:

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

A.5 Day one profit / loss

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

ANALYSIS OF ITEMS IN THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019[2]

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 101,330,636 euro, (97,960,332 euro) and refers for 90,609,505 euro to account balances with banks, 10,721,131 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	Values at 31/12/2019						Values at 31/12/2018					
	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	**90,609,505**	-	-			**90,609,505**	**88,864,207**	-	-			**88,864,207**
2. Loans												
2.1 Repurchase agreements												
2.2 Financial leasing												
2.3 Factoring												
with recourse												
without recourse												
2.4 Other loans												
3. Debt instruments												
structured securities												
other debt instruments												
4. Other assets	**7,386,245**	-	-			**7,386,245**	**5,910,478**	-	-			**5,910,478**
Receivables from Italian Banks	5,334,668	-	-			5,334,668	5,133,141	-	-			5,133,141
Receivables from Foreign Banks	2,051,577	-	-			2,051,577	777,337	-	-			777,337
Receivables from Group companies												-
Total	**97,995,750**	**-**	**-**			**97,995,750**	**94,774,685**	**-**	**-**	**-**	**-**	**94,774,685**

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.

(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 2018 is shown in between brackets.

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

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

Breakdown	Values at 31/12/2019						Values at 31/12/2018					
	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	**2,546,597**	**-**	**-**			**2,546,597**	**2,599,337**	**-**	**-**			**2,599,337**
Receivables from Italian financial institutions	1,042,461	-	-			1,042,461	788,625	-	-			788,625
Receivables from foreign financial institutions	102,010	-	-			102,010	307,679	-	-			307,679
Receivables from Group companies	1,402,126	-	-			1,402,126	1,503,032	-	-			1,503,032
Total	**2,546,597**	**-**	**-**	**-**		**2,546,597**	**2,599,337**	**-**	**-**	**-**		**2,599,337**

"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 18,390 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	Values at 31/12/2019						Values at 31/12/2018					
	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	**788,289**	**-**	**-**			**788,289**	**586,310**	**-**	**-**			**586,310**
Receivables from Italian customers	779,364	-	-			779,364	579,065	-	-			579,065
Receivables from foreign customers	8,925	-	-			8,925	7,245	-	-			7,245
Receivables from Group companies	-	-	-			-	-	-	-			-
Total	**788,289**	**-**	**-**	**-**		**788,289**	**586,310**	**-**	**-**	**-**		**586,310**

Third stage receivables amounted to € 92,706 and are fully covered in provisions for impairment of receivables.

First and second stage receivables are recognised net of the relevant provisions for impairment of receivables (set aside for second stage receivables).

The receivables devaluation provision at 31 December 2019, which amounts to 274,543 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 9,425,271 euro.

	Values at 31/12/2019	**0-90 days**		**90-120 days**		**over 120 days**	
Banks	7,386,246	7,365,298	68.7%	549	0.0%	20,398	0.2%
Financial Institut	2,546,598	2,385,710	22.3%	5,402	0.1%	155,485	1.5%
Clients	788,289	562,694	5.2%	24,749	0.2%	200,845	1.9%
	10,721,132	**10,313,702**	96.2%	**30,702**	0.3%	**376,728**	3.5%

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

	Gross amount				**Total values adjustments**			**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	101,330,636	90,609,505	163,446	111,096	-	163,446	111,096	-
Total 31/12/2019	**101,330,636**	**90,609,505**	**163,446**	**111,096**	-	**163,446**	**111,096**	-
Total 31/12/2018	**97,960,332**	**88,864,207**	**74,356**	**84,864**	-	**74,356**	**84,864**	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-	-

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

Section 8

TANGIBLE ASSETS (item 80)

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

Assets/values	Total at 31/12/2019	Total at 31/12/2018
1. Owned assets		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
f) investments in progress and advances	7,584	56,519
2. Assets acquired under financial leases		
a) land		
b) buildings		
c) furniture		
d) electronic systems		
e) other		
f) investments in progress and advances	17,813	
Total	**25,397**	**56,519**

8.6 Tangible assets held for operating purposes: annual changes

	Land	Buildings	Furniture	Instrumental systems	Others	Investments in progress and advances	Long-term hires	**Total**
A. Opening balance	-	-	-	-	-	**56,519**	-	**56,519**
B. Increases								
B.1 Purchases						1,010		**1,010**
B.2 Write-backs								
B.3 Increases								
in fair value recognised in:								
a) shareholders' equity								
b) income statement								
B.4 Other changes							33,081	**33,081**
C. Decreases								
C.1 Sales								
C.2 Amortization and depreciation							15,268	**15,268**
C.3 Adjustments due to:								
impairment recognised in								
a) shareholders' equity								
b) income statement								
C.4 Decreases								
of fair value recognised in:								
a) shareholders' equity								
b) income statement								
C.5 Other changes						49,945		49,945
D. Final balance	-	-	-	-	-	**7,584**	**17,813**	**25,397**

Section 9

INTANGIBLE ASSETS (item 90)

9.1 Intangible assets: breakdown

Items/Measurement	Total at 31/12/2019		Total at 31/12/2018	
	Assets measured at cost	Assets measured at fair value	Assets measured at cost	Assets measured at fair value
1. Goodwill				
2. Other intangible assets				
2.1 own assets				
produced in-house				
other				
- start-up and expansion costs				
- concessions, licenses, similar rights				
- other intangible assets	9,296,054		16,962,834	
- investments in progress and advances	4,816,782		948,396	
2.2 acquired with financial leases				
Total	**14,112,836**	**-**	**17,911,230**	**-**

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	**17,911,230**
B. Increases	
B.1 Purchases	5,766,664
B.2 Write-backs	
B.3 Increases	
in fair value recognised in:	
a) shareholders' equity	
b) income statement	
B.4 Other changes	
C. Decreases	
C.1 Sales	
C.2 Amortization and depreciation	8,615,919
C.3 Adjustments due to:	
impairment recognised in	
a) shareholders' equity	
b) income statement	
C.4 Decreases	
of fair value recognised in:	
a) shareholders' equity	
b) income statement	
C.5 Other changes	949,140
D. Final balance	**14,112,836**

9.3 Intangible assets: Other information

Other intangible assets (measured at cost)	**Amounts at 01/01/19**	**Increases**	**Decreases**	**Amortisation**	**Amounts at 31/12/19**
Start-up and expansion costs	1,006,330				1,006,330
- amortisation to date	(1,006,330)				(1,006,330)
Concessions, licenses, similar rights	4,323,166				4,323,166
- amortisation to date	(4,323,166)				(4,323,166)
Other intangible assets (1)	64,173,194	949,140			65,122,334
- amortisation to date	(47,210,360)			(8,615,919)	(55,826,279)
Investments in progress and advances (2)	948,395	4,817,525	(949,140)		4,816,780
Total	**17,911,230**	**5,766,664**	**(949,140)**	**(8,615,919)**	**14,112,836**

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

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

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

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

Section 10

TAX ASSETS AND LIABILITIES

10.1 Tax assets: current and pre-paid: breakdown

Current tax assets

	Values at 31/12/2019	**Values at 31/12/2018**
Income tax	18,654	-
Total	**18,654**	**-**

Current tax assets, of € 18,654 at 31 December 2019, were made up:

- for € 31,601 in credit, of the net balance between the estimated payable for IRES surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015 for financial year 2019 and the related advances paid;
- for € 12,947 in debit, of the net balance between the estimated payable for IRAP for financial year 2019 and the related advances paid.

Deferred tax assets

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

The amount of 138,612 euro is detailed in the tables below.

	Values at 31/12/2019	Values at 31/12/2018
Tax assets	138,612	95,301
Total	**138,612**	**95,301**

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

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

Deferred tax assets	31/12/19				31/12/18			
	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	11,584	3,186	-	3,186	37,474	10,305	-	10,305
Maintenance expenses	-	-	-	-	-	-	-	-
Employee severance indemnity	39,489	10,859	-	10,859	39,489	10,859	-	10,859
Directors fees	34,082	9,373	-	9,373	15,582	4,285	-	4,285
Audit fees	25,725	7,074	-	7,074	25,725	7,074	-	7,074
Bad debt provision	118,432	32,569	-	32,569	118,432	32,569	1,015	33,585
Provisions for risks	86,219	23,710	4,802	28,512	-	-	-	-
Exchange losses	-	-	-	-	19,427	5,342	-	5,342
Membership fees	-	-	-	-	3,120	858	-	858
Total deferred tax assets	**315,531**	**86,771**	**4,802**	**91,573**	**259,249**	**71,293**	**1,015**	**72,308**

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

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

Prepaid taxes	31/12/19			31/12/18		
	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**
actuarial valuation Employee Severance Indemnity	171,051	47,039	47,039	83,613	22,993	22,993
Total deferred tax assets	**171,051**	**47,039**	**47,039**	**83,613**	**22,993**	**22,993**

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

	Values at 31/12/2019	Values at 31/12/2018
Tax liabilities	16,885	7,504
Total	**16,885**	**7,504**

Deferred tax liabilities (with counter entry in Income Statement)

Deferred taxes	31/12/19			31/12/18		
	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**
Exchange differences	34,111	9,381	9,381	-	-	-
Total deferred tax liabilities	**34,111**	**9,381**	**9,381**	**-**	**-**	**-**

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

Deferred taxes	31/12/19			31/12/18		
	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	27,288	7,504	7,504
Total deferred tax liabilities	**27,288**	**7,504**	**7,504**	**27,288**	**7,504**	**7,504**

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

	Total at 31/12/2019	Total at 31/12/2018
1. Opening balance	**72,308**	**48,990**
2. Increases		
2.1 Deferred tax assets recognised in the FY:		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) write-backs		
d) other	41,083	34,063
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets taxes eliminated in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other	(21,818)	(10,745)
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	**91,573**	**72,308**

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

	Total at 31/12/2019	Total at 31/12/2018
1. Opening balance	**22,993**	**22,993**
2. Increases		
2.1 Deferred tax assets recognised in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) other	24,046	-
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax assets taxes eliminated in the FY		
a) reversals		
b) write-offs due to non-recoverability		
c) due to changes in accounting criteria		
d) other		
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Final amount	**47,039**	**22,993**

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

	Total at 31/12/2019	Total at 31/12/2018
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	9,381	-
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	**9,381**	**-**

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

	Total at 31/12/2019	Total at 31/12/2018
1. Opening balance	**7,504**	**-**
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**	**7,504**

Section 11

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

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

Section 12

OTHER ASSETS (item 120)

12.1 Other assets: breakdown

	Values at 31/12/2019	**Values at 31/12/2018**
Receivables from LSEGHI Italia for IRES tax	216,697	-
Receivables from Group companies for IRES tax	484,189	484,189
Deferred income	274,992	229,437
Guarantee deposits	14,662	14,472
Receivables from INPS and INAIL	17,851	4,588
Receivables from Tax Authorities for VAT	-	288,805
Receivables from Parent Company for other taxes	-	10,626
FONDIR Fund	-	21,424
Total	**1,008,391**	**1,053,541**

The item "Receivables from LSEGH Italia for IRES tax" of € 216,697 at 31 December 2019 refers to the net balance between the estimated payable for IRES of the Group national tax consolidation for financial year 2019 and the related advances paid.

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

Deferred income mainly refers to the provision of tax services in the amount of € 71,549, and maintenance fees for € 110,796.

BALANCE SHEET – LIABILITIES

Section 1

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (item 10)

This item which amounted to € 6,743,541 includes payables, due within the next financial year for supply of goods or provisions of services.

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

Items	Total at 31/12/2019			Total at 31/12/2018		
	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		1,670,228	2,468,754		1,338,684	2,937,805
Payables to Group companies		2,470,798	133,761		642,721	891,263
Total	-	**4,141,026**	**2,602,515**	-	**1,981,405**	**3,829,068**
Fair value -level 1						
Fair value -level 2						
Fair value -level 3		4,141,026	2,602,515		1,981,405	3,829,068
Total Fair value	-	**4,141,026**	**2,602,515**	-	**1,981,405**	**3,829,068**

Section 8

OTHER LIABILITIES (item 80)

8.1 Other liabilities: breakdown

	Values at 31/12/2019	**Values at 31/12/2018**
Payables to employees	2,349,738	2,348,197
Payables to social security institutions	856,102	1,319,333
Payables to tax authorities for withholding	453,282	708,127
Other payables	248,586	-
Payables to tax authorities for VAT	607,897	-
Payables to LSEGHI S.p.A. for IRES	-	786,926
Deferred income	-	-
Total	**4,515,605**	**5,162,583**

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 provision: annual changes

	Values at 31/12/2019	**Values at 31/12/2018**
A. Opening balance 01/01/2019	**1,528,266**	**1,613,388**
B. Increases		
B.1 Provision for the year	263,119	66,017
B.2 Other increases (interest expenses)	19,310	17,263
B.2 Other increases (service costs)		
B.4 Other increases (actuarial loss)	87,438	
B.5 Other increases		
C. Decreases		
C.1 Settlements made	(199,860)	(84,207)
C.2 Other decreases (actuarial profit)		(27,288)
C.3 Other decreases	(172,237)	(56,907)
D. Final balance 31/12/2019	**1,526,036**	**1,528,266**

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 31/12/2019	**Values at 31/12/2018**
Annual technical discount rate	0.71%	1.57%
Annual inflation rate	1.00%	1.50%
Annual rate of salary increase for managers and middle managers	3.00%	3.50%
Annual rate of salary increase for administrative staff	2.00%	2.50%
Annual rate of increase of the Employee Severance Indemnity (TFR)	2.25%	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.

Sensitivity analysis of Past Service Liability

Discount rate		Annual inflation rate		Annual turnover rate	
+0.50%	-0.50%	+0.25%	-0.25%	+2.00%	-2.00%
1,166,399	1,337,124	1,273,517	1,222,963	1,215,707	1,282,776

Section 11

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

Shareholders' equity at 31 December 2019 amounts to 103,832,459 euro (104,302,665 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	Other	Total
A. Opening balance	**3,200,000**	**379,543**	**53,085,550**	**8,000,000**	**1,913,704**	**66,578,797**
B. Increases	**-**	**-**	**97,029**	**-**	**-**	**97,029**
B.1 Allocation of income	-	-	97,221	-	-	97,221
B.2 Other changes	-	-	(192)	-	-	(192)
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Drawdowns	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
Book Value	**3,200,000**	**379,543**	**53,182,579**	**8,000,000**	**1,913,704**	**66,675,827**

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 2019 amounts to 21,193,379 euro.

Following the resolutions adopted by the Shareholders' Meeting of 29 April 2019, dividends were distributed to shareholders relating to the financial year ended 31 December 2018.

Composition and changes in Item 160 "Valuation Reserves"

	Legal	Extraordinary	Profits/losses carried forward	Other	From valuation	Total
A. Opening balance					**26,646**	**26,646**
B. Increases	**-**	**-**	**-**	**-**	**24,046**	**24,046**
B.1 Allocation of income	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	24,046	24,046
C. Decreases	**-**	**-**	**-**	**-**	**87,438**	**87,438**
C.1 Drawdowns	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	87,438	87,438
Book Value	**-**	**-**	**-**	**-**	**(36,746)**	**(36,746)**

PART C – INFORMATION ON THE INCOME STATEMENT

INCOME STATEMENT

Section 1

INTEREST (items 10 and 20)

1.1 Interest income and similar income: breakdown

	Debt instruments	Loans	Other transactions	Total at 31/12/2019	Total at 31/12/2018
3. Financial assets measured at amortised cost:					
3.1 Receivables from banks					
for other receivables (bank accounts interest)	-	-	1,934	1,934	2,861
3.3 Receivables from customers					
for other receivables (bank accounts interest)	-	-	-	-	-
Total	**-**	**-**	**1,934**	**1,934**	**2,861**

1.3 Interest expenses and similar charges: breakdown

	Loans	Bonds	Other	Total at 31/12/2019	Total at 31/12/2018
1. Financial liabilities measured at amortised cost					
1. Due to banks					
for bank charges	-	-	13,577	13,577	12,771
2. Payables to financial institutions					
for interest	-	-	208,445	208,445	160,602
Total	**-**	**-**	**222,022**	**222,022**	**173,373**

Section 2

COMMISSIONS (items 40 and 50)

2.1 Commission receivables: breakdown

	Values at 31/12/2019	Values at 31/12/2018
c) Services of		
Custody and administration	57,519,119	55,917,342
Settlement	32,689,563	28,872,114
tax services	3,563,706	3,654,106
Other revenues	90,558	151,471
Total	**93,862,946**	**88,595,033**

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

2.2 Commissions payable: breakdown

	Values at 31/12/2019	Values at 31/12/2018
7. Services of		
- settlement	15,349,727	11,481,906
- custody	6,191,334	5,728,633
- tax services	796,499	706,467
- messaging	502,743	514,408
Total	**22,840,303**	**18,431,414**

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

Section 8

NET VALUE ADJUSTMENTS FOR CREDIT RISK (item 130)

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

Transactions/Income components	**Adjustments (1)**			**Write-backs (2)**		**Total at 31/12/2019**	**Total at 31/12/18**
	First and second stage	Third stage		First and second stage	Third stage		
		Write-offs	Other				
1. Receivables from banks							
- for leasing							
- for factoring							
- other receivables	14,525	-	3,030	-	-	**17,555**	**1,346**
2. Receivables from financial institutions							
Acquired impaired receivables							
- for leasing							
- for factoring							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- other receivables	19,604	-	3,459	(1,086)	(1,934)	**20,043**	**5,545**
3. Receivables from customers							
Acquired impaired receivables							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables							
Other receivables							
- for leasing							
- for factoring							
- for consumer loans							
- other receivables	109,881	4,864	20,303	(10,925)	(1,623)	**122,500**	**14,452**
Total	**144,010**	**4,864**	**26,792**	**(12,011)**	**(3,556)**	**160,098**	**21,343**

The provision to the receivable devaluation reserve amounts to 274,543 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 31/12/2019	Values at 31/12/2018
1. Employees		
a) Wages and salaries	8,017,004	7,627,475
b) Social security charges	1,978,485	2,034,047
d) Welfare costs	255,331	265,739
e) Employee indemnity severance provision	534,128	594,284
h) Other expenses	1,150,516	412,633
2. Other employees in service	37,928	26,367
3. Directors and Auditors	125,449	131,963
5. Recovery of costs for employees seconded to other companies	(1,316,306)	(1,354,947)
6. Reimbursements for employees seconded to the Company	3,038,752	2,750,163
Total	**13,821,287**	**12,487,724**

The items salaries and wages and social security charges under personnel expenses include contingent assets on VAP social security in previous years for 497,516 euro (366,682 euro on salaries and 130,834 euro on social security charges respectively).
The balance of the item "Other expenses" at 31 December 2019 amounted to € 1,150,516, of which € 712,807 refers to retirement incentives, € 253,934 to Cassa Assistenza contributions, € 149,240 to meal coupons and the remainder to other minor costs and benefits (social club for company employees and training courses).

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

10.2 Average number of employees by category

Category	31-dic-18	Recruitments	Resignations	Promotions	31-dic-19	Average
Executives	8	-	-	-	8	8.0
Middle Managers	70	2	(3)	3	72	72.0
Administrative staff	31	-	(3)	(3)	25	28.0
Total employees	**109**	**2**	**(6)**	**-**	**105**	**108.0**
Seconded in	31	-	(1)	-	30	30.5
Seconded out	(16)	-	-	-	(16)	(16.0)
Total employees and secondments	**124**	**2**	**(7)**	**-**	**119**	**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 31/12/2019	Values at 31/12/2018
Third-parties services	13,976,745	14,135,304
Tax charges	1,652,916	1,359,360
Other expenses	828,033	881,692
Hire and leasing	21,076	28,779
Consumables	3,006	4,463
Membership fees	40,673	39,863
Total other administrative expenses	**16,522,449**	**16,449,461**

The Third-party services item includes ICT (Information Communication Technology) service costs of € 10.6 million, consulting and professional service fees of € 1.7 million, office operational costs of € 1.6 million, CONSOB contributions for € 0.8 million and insurance costs of € 0.1 million.

The table below shows a breakdown of the fees for services provided by the auditing company EY S.p.A. pertaining to the 2019 financial year (net of out-of-pocket expenses and supervision contribution and VAT):

Type of services	Entity that provided the service	Fees
Accounting audit		
Legal accounting audit	EY S.p.A.	49,633
Other services		
Other auditing services (Reporting Package)	EY S.p.A.	26,749
Certification services		
Certification services	EY S.p.A.	1,424
Total		**77,806**

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

Section 12

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

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

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

Section 13

NET VALUE ADJUSTMENTS TO INTANGIBLE ASSETS (item 190)

13.1 Net value adjustments to intangible assets: breakdown

Assets/Income components	Depreciation (a)	Value adjustments for impairment (b)	Write-backs (c)	Net result (a+b-c)
1. Intangible assets other than goodwill				
1.1 own assets	8,615,919	-	-	**8,615,919**
Total	**8,615,919**	**-**	**-**	**8,615,919**

Section 14

OTHER OPERATING INCOME AND COSTS (item 200)

This item, which amounts to a negative € 9,734 (a negative € 11,912), 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 10,464,421 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 31/12/2019	**Values at 31/12/2018**
1. Current taxes	10,594,178	10,947,119
2. Change in current taxes of previous years	(119,872)	(84,129)
4. Change in deferred tax assets	-	-
5. Changes in deferred tax liabilities	(9,885)	(23,318)
Total taxes for the year	**10,464,421**	**10,839,672**

Current taxes, a total expense of € 10,464,421 at 31 December 2019, were made up:

- for € 7,516,814 of the expense for IRES deriving from the transfer of taxable income to the Group national tax consolidation;
- for € 1,096,202 of the IRES surcharge pursuant to art. 1, paragraph 65, Italian Law no. 208/2015;
- for € 1,981,161 of the expense for IRAP of the year.

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 31/12/2019	**Values at 31/12/2018**
Ordinary applicable rate	27.50%	27.50%
Increase/Decrease changes	-0.29%	-0.37%
	27.21%	**27.13%**

PART D – OTHER INFORMATION

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

Payment agreements based on own equity instruments

Long term incentive share plan
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.

the **Matching Shares** plan was 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 the LSEG Group to members if the performance conditions are achieved;

- the **Share Option Award** in the form of an option with a fixed strike price (i.e. the price that a member must pay for taking possession of a single share), which is also subject to the same performance conditions as the Restricted Share Award.

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

The Performance Conditions are measured as follows:

- for 50% of the shares awarded: the number of shares to be awarded upon expiration of individual plans 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 has not increased, the employee will not be obliged to purchase them and may simply withdraw the whole amount set aside, increased by any accrued interest.
The shares forming the subject of the LTIP are purchased on the market by London Stock Exchange Group.

The overall cost as of 31 December 2019 for the award of shares and options on shares is 573,077 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:

No. of shares	Share Options	SAYE	LTIP	Total
Opening balance 01/01/2019	-	11,086	51,354	**62,440**
Granted shares	-	1,971	11,254	**13,225**
Shares transferred	-	555	-	**555**
Shares transferred from UK	-	-	-	**-**
Exercised shares	-	(3,348)	(16,209)	**(19,557)**
Forfeited shares	-	-	(1,877)	**(1,877)**
Lapsed shares	-	-	-	**-**
Closing Balance 31/12/2019	**-**	**10,264**	**44,522**	**54,786**

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

	SAYE Sharesave Plan	LSEG LTIP Performance Shares			LSEG LTIP Matching Shares	Restricted Share Award Plan		
Assignment date	01-mag-19	22-mar-19	29-ago-19	28-nov-18	22-mar-19	22-mar-19	29-ago-19	28-nov-19
Price of shares at assignment date	£51.86	£45.94	£69.70	£68.98	£45.94	£45.94	£69.70	£68.98
Expected life	3.3 years	3 years	3 years	3 years	3 years	0.95 years to 2.95 years	2 years to 3 years	0.33 years to 4.33 years
Exercise price	£38.46 to £39.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	1.30%	1.50%	1.10%	0.90%	1.50%	1.50%	1.10%	0.90%
Risk free interest rate	0.80%	0.70%	0.30%	0.50%	0.70%	0.65% to 0.72%	0.33% to 0.43%	0.49% to 0.74%
Volatility	23%	20.00%	20.00%	21.00%	20.00%	18.20% to 20.30%	20.00% to 21.40%	21.00% to 39.10%
Fair value	£14.41 to £15.00	-	-	-	-	£44.00 to £45.31	£67.40 to £68.16	£66.28 to £68.77
Fair value - TSR	n.a.	£13.69	£27.09	£20.00	£13.69	n.a.	n.a.	n.a.
Fair value - EPS	n.a.	£43.97	£67.40	£66.90 to £67.10	£43.97	n.a.	n.a.	n.a.

IFRS 2 - paragraphs 46 and 47

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

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

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

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

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

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

Capital requirements

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

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

The capital thus identified must be invested in secured assets in order to comply with the provisions of Article 46 paragraph 4 of the CSDR Regulation. The calculation of the Regulatory Capital at 31 December 2019 is presented below.

Total Shareholders' Equity *(Amounts in euro)*	**31/12/2019**
Share capital	16,000,000
Reserves	66,712,460
Total Shareholder's Equity	**82,712,460**
Intangible assets	(14,112,836)
IFRS reserves	(450,358)
Share Awards	(1,406,166)
Total Shareholder's Equity after prudential filter	**66,743,100**

Capital Requirement as per CSD Regulation *(Amounts in Euro)*	**31/12/2019**
Winding down/restructuring requirement	18,640,735
Credit, Market and Counterparty risk	3,102,738
Operational risk	10,609,384
Business Risk	7,628,392
Total Capital Requirement (TCR)	**39,981,249**
Capital Surplus	**26,761,851**

The Shareholders' Equity available pursuant to the applicable Provisions of Law, at 31 December 2019, amounted to € 66,743,100, out of an overall amount of Shareholders' Equity at the same date equal to € 82,712,460 including the profit for the year allocated to Reserves, as the company had sterilised the impact of the valuation reserves and Share Awards reserves, as well as the entire amount of intangible assets present in the asset side of the Balance Sheet at the date of these financial statements.

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

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

These risks, evaluated on the basis of the corporate structure and solidity with respect to the market, have been calculated at € 39,981,249 (Regulatory Capital).

Information on transactions with related parties and with Group companies

The following table shows details of "non-atypical" transactions during the year with related parties and the associated equity balances as at 31 December 2019:

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

	Revenues	Receivables
Refund application		288,488
IRES credit for tax consolidation		216,697
	Costs	**Payables**
Services of third parties (rental, operations, consulting)	1,408,660	

Borsa Italiana S.p.A.

	Revenues	Receivables
Custody and administration	4,638,832	870,257
Capitalization Software		43,276
Refund application		195,701
Capitalization Software		51,508
	Costs	**Payables**
Third-parties services (IT, rentals, operations, consulting)	2,554,508	2,515,792
Amortisation and depreciation	64,913	
Man Effort Recharge	1,870	
Personnel seconded	1,706,193	

Cassa di Compensazione e Garanzia S.p.A.

	Revenues	Receivables
Custody, administration and settlement	4,214,667	342,227
Personnel seconded	167,661	
Other operating income	5,000	5,000
Rendering services and costs recharge		50,588
	Costs	**Payables**
Services of third parties (IT)	107,360	

MTS S.p.A.

	Revenues	Receivables
Custody, administration and settlement	124,089	10,452

BIt Market Services S.p.A.

	Costs	Payables
Third-parties services (IT, rentals, operations, consulting)	57,020	

EuroTLX SIM S.p.A.

	Revenues	Receivables
Custody, administration and settlement	145,424	12,493
	Costs	**Payables**
Personnel seconded	209,997	
Rendering services and costs recharge		12,825

Elite Sim

	Revenues	Receivables
Personnel seconded	26,083	11,233
Rendering services and costs recharge		14,850

LSE Group plc

	Costs	Payables
Insurances	108,247	
Recharge of costs operating expenses	305,720	
Rendering services and costs recharge		23,538
Share Scheme		107,970

LSE Plc

	Revenues	Receivables
Capitalization Software		4,188
	Costs	**Payables**
Third-parties services (IT, Management fees)	75,686	

LSEG Business Services Ltd

	Revenues	Receivables
Capitalization Software		981
	Costs	**Payables**
Services of third parties (IT)	178,303	941

LSEG Business Services RM S.R.L.

	Revenues	Receivables
Man Effort Recharge		1,271
	Costs	**Payables**
Third-parties services (IT, Management fees)		1,312

LSEG Business Services Colombo (Private) Ltd

	Revenues	Receivables
Man Effort Recharge		391

LCH Clearnet Ltd

	Revenues	Receivables
Custody, administration and settlement	184,253	31,071

LCH Clearnet S.A.

	Revenues	Receivables
Custody, administration and settlement	825,036	111,776

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 2019 to the members of the Board of Directors, Board of Statutory Auditors and to the Key managers of the Company:

Directors and Key Managers	1,180,402
Auditors	71,600

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

a. Benefits to short-term employees	720,017
b. Post-employment benefits	31,965
c. Other long-term benefits	-
d. Severance benefits	64,894
e. Share-Based Payments	309,677
Total	**1,126,553**

Share based payments

Plan	Number of shares	Assignment date
LSEG Matching Share Award	3,914	22/03/19
LSEG Performance Share Award	5,059	22/03/19
LSEG Invested Share	930	22/03/19
LSEG Italian Sharesave Scheme	276	01/06/18
LSEG Matching Share Award	4,951	26/04/18
LSEG Performance Share Award	5,627	26/04/18
LSEG Invested Share	1,166	25/04/18
LSEG Italian Sharesave Scheme	319	03/10/17
LSEG Performance Share Award	7,363	03/04/17
Total	**29,605**	

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

Management and coordination

It is noted that as of the date of the financial statements at 31 December 2019, 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 2018. 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 2018, as well as of the economic results obtained by the Company in the financial year ended on that date, reference is made to the reading of the financial statements which, together with the report prepared by the auditing firm, is available in the formats and manner stipulated by the law.

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

EQUITY AND FINANCIAL POSITION AT 31 DECEMBER 2018

(amounts in Euro/000)	**31/12/2018**
Assets	
Total non-current assets	1,440,275
Total current assets	10,672
TOTAL ASSETS	**1,450,947**
Liabilities	
Total non-current liabilities	158,647
Total current liabilities	80,785
TOTAL LIABILITIES	**239,432**
NET	**1,211,515**
Shareholders' Equity	
Share capital	350,000
Reserves	798,390
Profit/(loss) for the year	63,125
TOTAL SHAREHOLDERS' EQUITY	**1,211,515**

STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2018

(amounts in Euro/000)	**31/12/2018**
Revenues	79,511
OTHER REVENUES AND INCOME	**79,511**
Costs for personnel	1,362
Costs for services	10,910
Amortisation and depreciation	1,232
Operating costs	204
TOTAL OPERATING COSTS	**13,708**
Financial income	1
Financial expenses	3,728
PROFIT/(LOSS) BEFORE TAXES	**62,076**
Taxes	1,049
NET PROFIT/(LOSS)	**63,125**
Other components with an impact on shareholders' eq	11
COMPREHENSIVE NET PROFIT/(LOSS)	**63,136**

FINANCIAL STATEMENTS APPROVAL

The draft financial statements were approved by the Board of Directors on 25 March 2020 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:

	31/12/19	31/12/18
Paper-based financial instruments	25,181,670,296	23,177,052,345
Dematerialised financial instruments	2,735,387,727,550	2,695,176,329,289
Total	**2,760,569,397,846**	**2,718,353,381,634**

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".

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These financial statements at 31 December 2019 provide a true and correct representation of the financial and equity situation and the economic result at the aforementioned date.

Milan, 25 March 2020

On behalf of the Board of Directors

Il Presidente
Paolo Cittadini

ANNEXES

ANALYTICAL STATEMENT OF BREAKDOWN OF SHAREHOLDERS' EQUITY ITEMS AT 31 DECEMBER 2019

(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:					
- *property revaluation*	-	A, B, C	-		
- *severance indemnity revaluation*	(36,747)	E	-		
Profits brought forward	74,375,959	A, B, C	74,375,959		
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	**103,832,459**		**75,263,040**		
of which non-distributable portion			-		
of which residual distributable portion			75,263,040		

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

Property, plant and equipment

Net value	Balance at 01/01/2019	Increases	tisation and deprec	Disposals	Balance at 31/12/2019
Furniture	0.00				0.00
IT Equipment	0.00				0.00
Investments in progress and advances	56,519.13	1,010.00		(49,945.00)	7,584.13
Long-term hires	0.00	33,081.14	(15,268.22)		17,812.92
Total	**56,519.13**	**34,091.14**	**(15,268.22)**	**(49,945.00)**	**25,397.05**

Amortisation and depreciation	Balance at 01/01/2019	Amortisation and depreciation	Write-offs	Disposals	Balance at 31/12/2019
Furniture	0.00				0.00
IT Equipment	457,127.76				457,127.76
Long-term hires		15,268.22			15,268.22
Total	**457,127.76**	**15,268.22**	**0.00**	**0.00**	**472,395.98**

Historic cost	Balance at 01/01/2019	Increases	Revaluations	Decreases	Balance at 31/12/2019
Furniture	0.00				0.00
IT Equipment	457,127.76				457,127.76
Investments in progress and advances	56,519.13	1,010.00		(49,945.00)	7,584.13
Long-term hires		33,081.14			33,081.14
Total	**513,646.89**	**34,091.14**	**0.00**	**(49,945.00)**	**497,793.03**

Intangible assets

Net value	Balance at 01/01/2019	Increases	tisation and deprec	Decreases	Balance at 31/12/2019
Costs of formation and expansion	0.00				0.00
Franchises, licenses, similar rights	0.00				0.00
Other intangible assets	16,962,833.68	949,139.52	(8,615,918.82)		9,296,054.38
Investments in progress and advances	948,396.36	4,817,524.66		(949,139.52)	4,816,781.50
Total	**17,911,230.04**	**5,766,664.18**	**(8,615,918.82)**	**(949,139.52)**	**14,112,835.88**

Amortisation and depreciation	Balance at 01/01/2019	Amortisation and depreciation	Write-offs	Decreases	Balance at 31/12/2019
Costs of formation and expansion	1,006,330.00				1,006,330.00
Franchises, licenses, similar rights	4,323,166.02				4,323,166.02
Other intangible assets	47,210,359.96	8,615,918.82			55,826,278.78
Total	**52,539,855.98**	**8,615,918.82**	**0.00**	**0.00**	**61,155,774.80**

Historic cost	Balance at 01/01/2019	Increases	Revaluations	Decreases	Balance at 31/12/2019
Costs of formation and expansion	1,006,330.00				1,006,330.00
Franchises, licenses, similar rights	4,323,166.02				4,323,166.02
Other intangible assets	64,173,193.64	949,139.52			65,122,333.16
Investments in progress and advances	948,396.36	4,817,524.66		(949,139.52)	4,816,781.50
Total	**70,451,086.02**	**5,766,664.18**	**0.00**	**(949,139.52)**	**75,268,610.68**

MONTE TITOLI S.P.A.

Registered office in Milan– Piazza degli Affari 6

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

Tax identification number and registration

in the Milan Business Register 03638780159

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 PERIOD ENDING 31 DECEMBER 2019 PURSUANT TO ART. 2429, PARAGRAPH 2 OF THE ITALIAN CIVIL CODE

Introduction

During the financial year ending 31 December 2019, the Board of Statutory Auditors performed the functions stipulated under Art. 2403 et seq. of the Italian Civil Code. The Statutory Audit is entrusted to the auditing firm EY S.p.A.
This report was collectively approved in time to be filed at the Company's registered office 15 days prior to the date convening the Shareholders' Meeting to approve the financial statements in question.
The format of this Report is based on legislation and Regulation no. 7.1 of the "*Rules of Conduct for Statutory Auditors - Principles of conduct for Statutory Auditors of unlisted companies*", issued by the Italian National Council of Public Accountants and Accounting Professionals (CNDCEC).

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

The Board of Statutory Auditors declares that it has consolidated knowledge regarding the company and in relation to:
i) the type of business conducted;
ii) the Company's organisational and accounting structure;

taking into account the company's size and problems, the "planning" phase for monitoring—when an assessment must be made of the intrinsic risks and critical aspects referring to the aforementioned two parameters—was done on the basis of the consolidated knowledge and 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 employed appear adequate for the business.
This report thus summarises the activities relating to the disclosure required pursuant to 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 the remarks and proposals regarding the financial statements;
- on any complaints received from shareholders in terms of Art. 2408 of the Italian Civil Code.
In terms of a time frame, the Board of Statutory Auditors activities span the entire financial year, during which meetings were regularly held as per Art. 2404 of the Italian Civil Code, with appropriate minutes drawn up for these meeting, which were duly signed and unanimously approved.

Activities carried out

During its periodic checking, the Board of Statutory Auditors monitored developments in the business conducted by the Company, paying special attention to problems of a contingent and/or extraordinary nature, so as to determine the economic and financial impact on the year's result and the asset structure.
The Board of Statutory Auditors, therefore, periodically assessed the adequacy of the corporate organisational and functional structures and any changes in relation to the minimum requirements dictated by the Company's performance.
Relations with personnel operating within the Company and the Auditors were based on reciprocal collaboration in respect of the roles each is assigned, with the Statutory Auditors Board's role duly clarified.
It was noted that the level of technical expertise of internal administrative staff responsible for recording management events was adequate regarding ordinary corporate events and they can be deemed to have sufficient knowledge regarding corporate problems.
Within 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.
Pursuant to the provisions of Art. 48 of EU Delegated Regulation no. 392/2017 and established by the Board of Statutory Auditors in 2018, the Audit Committee became

operational from 18 December 2019, the date from which Monte Titoli S.p.A. was authorised to provide services as a central securities depository in accordance with EU Regulation no. 909/2014.

The information required by Art. 2381, paragraph 5 of the Italian Civil Code was provided by the Managing Director.
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 is indirectly controlled by the London Stock Exchange Group Plc.
In so far as it was possible to ascertain with the activities carried out during the year, the Board of Statutory Auditors can confirm that:
- the decisions made by the Shareholders' Meeting and the Board of Directors complied with the law and the Articles of Association and were not manifestly imprudent or such that they would definitively compromise the integrity of company assets;
- sufficient information was obtained regarding management performance and its foreseeable development and on the more significant transactions undertaken by the Company in terms of size and characteristics;
- the transactions put in place were compliant with the law and Articles of Association and did not potentially conflict with resolutions made by the Shareholders’ Meeting or Board of Directors or were such that they would compromise the integrity of company assets;
- there are no specific comments regarding the adequacy of the Company’s organisational structure or the adequacy of the administrative and accounting system or even on the reliability of the latter to provide a correct representation of management events;
- we did not find any atypical or unusual transactions with Group companies, third parties or with related parties. The information provided to us by the Board of Directors was deemed adequate, referring to intragroup transactions and those with related parties. More specifically, these transactions are deemed to be related and inherent to the achievement of the corporate purpose and are consistent and in accordance with company interests;
- no additional significant facts emerged during the supervisory activities that would require mention in this report;
- no intervention was required due to omissions by the Board of Directors pursuant to Art. 2406 of the Italian Civil Code;
- no complaints were received pursuant to Art. 2408 of the Italian Civil Code;
- no complaints were made pursuant to Art. 2409, paragraph 7 of the Italian Civil Code;
- the Board of Statutory Auditors issued no opinions required by law during the period.

Remarks and proposals regarding the financial statements and their approval

The draft financial statements for the period ending 31 December 2019 were approved by the Board of Directors and prepared in accordance with the International Financial Reporting Standards adopted by the European Union.
The Board of Directors prepared the Report on Operations.

These documents were submitted to the Board of Statutory Auditors in time so that they could be filed at the Company's registered office, accompanied by this report, and this regardless of the deadline set by Art. 2429, paragraph 1 of the Italian Civil Code.
The statutory audit is entrusted to the 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 nor did it state 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 2019 were compliant with the International Financial Reporting Standards adopted by the European Union.
The draft financial statements were reviewed, and the following additional information is provided in this regard:
- attention was focused on the layout of the draft financial statements, their general compliance with the law with regard to their formulation and structure and, in this respect, there are no remarks that require mention in this report;
- the explanatory notes adequately represent the transactions with related parties, highlighting the main economic-financial aspects;
- it was confirmed that the preparation of the Report on Operations complied with legislation and, in this respect, there are no remarks that require mention in this report;
- it was verified that the financial statements corresponded with the facts and information available on the basis of the Board of Statutory Auditors' duties and, in this respect, there are no additional remarks;
- please recall the information explained in the notes to the financial statements regarding the effects of the COVID-19 pandemic and the related analysis in terms of business continuity. These circumstances, as explained, beyond the other aspects described, entail a certain degree of uncertainty which could have effects on the Company's development that cannot currently be predicted or calculated.

Result for the financial year

The net result confirmed by the Board of Directors relating to the year ending 31 December 2019 is positive for € 21,193,379.

Conclusions

Based on the above information and the Board of Statutory Auditors' knowledge and periodic verifications conducted, the Board unanimously deems that there are no impediments to your approval of the draft financial statements for the year ended 31 December 2019, as prepared and duly proposed by the Board of Directors.

Milan, 09 April 2020

For the Board of Statutory Auditors

The Chairman

(Roberto Ruozi)

Monte Titoli S.p.A.

Financial statements as at 31 December 2019

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

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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 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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.

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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 2019, 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 2019 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 2019 and comply with the applicable laws and regulations.

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

Milan, 8 April 2020

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

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