Monte Titoli S.p.A.

Financial statements
31 December 2017

MONTE TITOLI S.P.A.
REGISTERED OFFICE: Piazza degli Affari 6 – 20123 MILAN
SHARE CAPITAL € 16,000,000 – R.E.A MILAN N. 980806
ENROLLED IN THE MILAN COMPANIES' REGISTER AND TAX CODE NO. 03638780159
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION OF
LONDON STOCK EXCHANGE GROUP HOLDING ITALIA S.p.A.

Report and financial statements at 31 December 2017

Financial Highlights

Financial Highlights		
(€/000)		
Economic Indicators	Financial Year 01/01/17 - 31/12/17	Financial Year 01/01/16 - 31/12/16
Net Revenues (*)	72,909	69,764
Ebitda	39,072	34,411
Ebitda margin	53.6%	49.3%
Ebit	29,909	25,048
Ebit margin	41.0%	35.9%
Net Income	19,761	16,820
(in % of Revenues)	27.1%	24.1%
ROE	20.3%	20.6%
Dividends	19,680	10,000
Equity Indicators	Financial Year 01/01/17 - 31/12/17	Financial Year 01/01/16 - 31/12/16
Shareholder's Equity	102,286	92,500
(**) Net Financial Position (- debt / + cash)	74,136	53,821
Efficiency Indicators	Financial Year 01/01/17 - 31/12/17	Financial Year 01/01/16 - 31/12/16
(***) Average employees number	124	131
Revenues/employees	588	535
Ebit/employees	241	192

(*) 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).

(***) The average number of employees excludes secondments

Report on Operations of Monte Titoli S.p.A. as of 31 December 2017

Dear Shareholders,

The financial statements as of 31 December 2017, which the Board of Directors presents for your approval, show a net profit of 19,761,073.55 euro.

MONTE TITOLI AND THE REFERENCE CONTEXT

The year 2017 ended with the completion of migrations to Target2-Securities (T2S), the single platform for the settlement of securities transactions on a delivery-versus-payment basis of all the main European CSDs of the central bank, managed by the European Central Bank. With regard to timing the last group of markets comprises central depositories and the respective banking communities of Spain, Lithuania, Latvia and Estonia and brings to 20 the financial markets operating on T2S.

The completion of the migration process to T2S represents a final step to the larger integration and higher efficiency of the European financial market, which in the next few years shall necessarily cope with the need to harmonise and standardise a variety of rules and processes.

Moreover, in the near future T2S, which currently permits the settlement exclusively in euro, will witness the entry of the Danish Crown, which will add to the functionality recently developed by the Central Bank of Belgium, which permits the securities settlement in Pound Sterling.

Simultaneously, in the European context, initiatives aimed at the harmonisation and improvement of the securities settlement by central depositories have been realised through the filing by Monte Titoli of the application for authorization pursuant to the European Regulation for Central Securities Depositories (Central Securities Depository Regulation - CSDR).

In operational terms, up to 31 December 2017 Monte Titoli has processed, through the T2S platform, in whole 44.6 million instructions, settling in average 97.4% of these on the same day.

The custody system has managed volumes equal to 3,292 billion euro, of which 210 billion euro are represented by foreign financial instruments centralised through other Central Depositories.

As of 31 December 2017, 2,446 issuers and 184 intermediaries, including domestic and foreign Central Counterparties as well as other CSDs, accessing the Italian financial market through Monte Titoli, were participating in Monte Titoli's system.

2.1 THE MAIN VENTURES OF MONTE TITOLI

In a European context oriented towards making uniform the securities settlement activities among the various countries, Monte Titoli experienced the need to increase the availability of services focusing on the differentiation of its offer and service, also in order to cope with the increased competition deriving in particular from the Central Securities Depositories of a larger size maintaining, however, firm its role of support infrastructure to the dealers of the financial market.

Within its Investor Services department, Monte Titoli has foreseen the benefits of T2S for its customers and was able to take advantage in two ways of the entry in T2S of the Spanish central depository. It acted in advance formalising a cooperation agreement with Banco Bilbao Vizcaya for the supply of tax services, which would enable to rationalise and unify all the securities deposit activities at the Spanish central depository. It was then possible to decommission the service offered by Euroclear Bank on this country, transmitting to its customers all the efficiency and simplification benefits enriched of a decrease in the securities settlement rates, although maintaining unchanged both the service level and its own marginality. The second initiative developed by leveraging the entry of the Spanish central depository was the creation of the T2S Gateway service, which permits the access through a single account opened in Monte Titoli to more than 95% of the transactions against payment executed in euro and to 82% of all the financial instruments exchanged in T2S.

Again with regard to the Investor Services, Monte Titoli, thanks to the implementation of automatisms was able to obtain the status recognised by the French Internal Revenue Office of non-resident withholding agent. The initiative is aimed at offering competitive services and at extending the range of services offered to the principal customers in order to enable the optimisation of the services offered on the international market.

The will to renew also the offer addressed to the Italian Issuers resulted in a new "mixed" method for providing the service to Yankee Bonds, referred to as “Reg S”. In the course of 2017 Monte Titoli, in its capacity as tax agent of the issuer, made the issues of Italian issuers on the US market considerably more desirable. The great advantage of the service was to enable the US institutional investors to hold Italian bonds in the form of “depository receipts” exchangeable both on the US domestic market and through the international CSDs and to continue benefiting from Monte Titoli's service for performing the obligations of Italian rules and regulations previously in force only in 144A format”.

The full support in segments of Borsa [Italiana] did not fail, which in the last few years have become increasingly important for the group and which in the course of 2017 permitted, also thanks to the strategic cost reduction implemented by Monte Titoli vis-à-vis its suppliers, although leaving unchanged marginality, to implement a reduction of the post-trade fees for its customers, favouring a further increase of volumes and revenues.

The innovation involved also the proprietary platform for the management of the X-Com Collateral. In addition to having reached a managed value exceeding 5 billion and having increased to 8 the number of connected Banks, Monte Titoli is about to develop new functionalities for extending also to ABS securities the possibility of being used as collateral.

2.2 FINANCIAL RESULTS

The 2017 financial year closed with a net result of 19.8 million euro (16.8 million euro at 31 December 2016).

Total gross operating revenues in the period amounted to 90.9 million euro (81.6 million euro at 31 December 2016), of which 56.5 million euro (52.1 million euro at 31 December 2016) for custody services, 31.1 million euro (28.0 million euro at 31 December 2016) for clearing and settlement services, 3.0 million euro for fiscal services (1.4 million euro at 31 December 2016) and other services 0.3 million euro (0.1 million euro at 31 December 2016). Revenues for the period were also affected by a positive component concerning setup fees charged by Monte Titoli to globeSettle subsidiary in the amount of 1.3 million euro (3.02 million euro at 31 December 2016) relating only to the first six months of the financial year. The intermediation commissions paid to the foreign CSDs and to the ECB amount to 19.3 million euro (14.9 million euro at 31 December 2016).

Custody	**31/12/17**	**31/12/16**	**Var %**
Values of securities (€/billions)	**3,291.9**	**3,175.5**	**3.7%**
Government bonds	1,888.8	1,856.0	1.8%
Bonds	570.9	625.4	-8.7%
Shares and CW	615.7	515.8	19.4%
Deposits for judicial authorities	4.1	4.2	-3.5%
NCSD	127.0	88.8	43.0%
ICSD	85.5	85.4	0.1%

Settlement Instructions (ml)	**2017**	**2016**	**Var %**
Settlement Instructions (double counted - ML)	44.6	43.3	3.0%

Costs relating to the structure and management were consistent with the activities performed. In detail, employee costs amount to 13.4 million euro (13.7 million euro at 31 December 2016).

The other administrative expenses including intercompany costs, amount to 20.4 million euro (21.6 million euro at 31 December 2016). These expenses have decreased following a decrease in the costs for technology, operating costs and professional fees. The depreciations amount to 9.1 million euro (9.4 million euro at 31 December 2016).

The net operating margin (Ebit) is equal to 30 million euro, compared to 25.1 million euro of the financial year closed at 31 December 2016.

In the balance sheet fixed assets, net of valuation allowances, amount to 21.9 million euro mainly consisting of investments in intangible assets. The decrease equal to 9.3 million euro in intangible assets is to be ascribed to the write-off of developments being realized for globeSettle following the decision of the Board of Directors of such company (16 May 2017) to terminate the activity as central depository of financial instruments.

The Company Equity is equal to 102.3 million euro, in addition to the operating profit of the financial year closed at 31 December 2017 amounting to 19.8 million euro and is composed as to 16 million euro by the Share Capital, as to 3.2 million euro by the legal reserve, as to 8 million euro by the Fund (as provided by the CONSOB regulation) for the implementation of centralized management, clearing and settlement activities, and as to 55.4 million euro by other reserves.

As part of the Long Term Incentive Plan, the Company granted to some employees the right to receive shares in the London Stock Exchange Group plc (hereinafter LSEG) subject to the occurrence of certain market conditions, 36 months after such right was granted. The value of these shares, equal to 2.1 million euro, already acquired by LSEG at the date of granting, is reflected in the corresponding Shareholders' Equity reserve (equal to 1.4 million euro) until 31 December 2015, whilst starting from 1 January 2016 this amount is recorded in the item "Debts" (0.7 million euro).

2.3 EMPLOYEE AND ENVIRONMENT INFORMATION

As of 31 December 2017, the organizational structure is made up by a total of 110 employees (114 at 31 December 2016): 7 Executives, 72 Middle Ranking Managers and 31 employees, as well as 26 employees seconded from other companies of the Group, and 15 employees seconded to other companies of the Group. Average age is 49.6 years and 32.7% of the workforce is female. The average seniority of service is 21.8 years. During the financial year, no causalities occurred among employees on the workplace listed in the single employee payroll register, and no serious accidents on the workplace and/or charges relating to professional illnesses among employees or former employees.

2.4 RESEARCH AND DEVELOPMENT

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

2.5 RISK ASSESSMENT

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

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

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

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

- The second line of defence is represented by the Risk Management Division and the Compliance Division, respectively responsible for the definition of the risk management process and the compliance with the company's provisions and policies. Said divisions perform an independent control of the first line activities concerning the evaluation and management of the risks and the compliance with the company's policies.

- The third line of defence is the Internal Audit, which provides an independent assurance to the Board of Directors with regard to the effectiveness of the internal control systems and the envisaged risks.

The company's risk profile is monitored regularly and submitted to the review of the Board of Directors in order to check whether it matches the company's Risk Appetite according to a renewed exposition method (Risk Journal).

The Risk Appetite Framework, a document defining the risk appetite of the company in pursuing its strategic objectives, was reviewed, discussed and approved by the Board of Directors also this year.

Such document - compared to the preceding years - was further refined and supplemented in the corporate governance and supported by a new Risk Management Framework complete of an operating procedure inspired by the international guidelines ISO 31000 and an Annual Activities Plan was adopted, which was approved by the Board of Directors.

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

Below the most significant risks are listed that 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, it must comply with the requirements of authorization to operate as a Central Depository and is subject to the supervision of Bank of Italy and Consob. Accordingly, Monte Titoli engages in an open dialogue with the Supervisory Authorities and constantly monitors the regulatory changes.

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

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

In the course of 2017, Monte Titoli filed the application for authorization pursuant to the European Regulation for the Central Depositories of securities (Regulation-EU-No-909-2014), which provides for uniform obligations for the settlement of financial instruments in the Union and rules concerning the organization of the Central Depositories of securities.

The authorization process is still ongoing and will last up to the end of 2018.

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

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 watches the competitor's developments in order to make the business grow, and with the aim to rationalize and make the offered services more efficient as well as to develop new functions, it has planned a set of organisational and relational measures that require, through formal consultation processes, the involvement of the customers in the definition of the requirements.

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

Market research is carried out and customer and industrial associations meetings are periodically organised in order to monitor and assess the customer needs (according to the CRM, Customer Relationship Management modality).

Business Risk

A general business risk that the company 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 the new products and markets instructs on how to handle those situations in which the introduction is envisaged of a new activity and/or of a new product.

According to what laid down in the company's policies, it must be ascertained 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 preparation of a detailed business case to be discussed and approved by means of proxies and an articulated evaluation discovery by an appropriate Committee, conducive to its presentation to the Executive Committee and to the 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 contacts with the regulatory authorities through the participation in public consultations and meetings, the participation in national and international work teams.

Monte Titoli manages the general business risk also through an adequate civil and criminal liability insurance against damages caused to its members because of negligent behaviours by Monte Titoli.

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 errors and/or malfunctions of the systems. An operating risk may derive from human errors (created, for example, by a lack of staff, low professional training and update, low quality of the human resources), from malfunctioning and anomalies of IT applications (deriving, for example, from inadequate methodology of application development, insufficient tests, inadequate software maintenance) or inadequate processes architecture.

The operational risk is mitigated through highly automated processes for the reduction of administrative activities and formalized procedures for all the 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 the release in production, the new applications are tested internally by the competent business divisions, under the coordination of the Testing Management department both with inside and outside users, operating in a test environment fully segregated from production.

Operative and manual procedures of instructions, checklists, automatic and manual data reconciliation, duties separation and double checks of transactions carried out by two people (checker and maker) represent further risks limitation procedures.

From a legal point of view, the contractual framework clearly defines Monte Titoli's responsibilities area 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 the participation of Monte Titoli in them.

Insurance coverage protects Monte Titoli from frauds, 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 lacking or slow operations due to the inadequacy of the building and the unavailability of the technological infrastructures, Monte Titoli has adopted a "Business Continuity Plan" which ensures the continuity and efficiency of its services, restoring the core processes according to the timeframes provided by the Recovery Time Objectives (temporary objectives of services recovery).

The above-mentioned plan has been developed in compliance to the provisions laid down by Banca d'Italia on 28 October 2004 (Business Continuity Guidelines), to the "*Regolamento recante la disciplina dei Servizi di Gestione Accentrata, di Liquidazione, dei Sistemi di Garanzia e delle relative Società di Gestione - Provvedimento del 22.2.2008 aggiornato con atto Banca d'Italia/Consob del 24.12.2010*" [Rules governing Centralised Management. Settlement and Guarantee Services and relevant Management Companies - Measure of 22 February 2008 updated by Act of Bank of Italy/Consob of 24 December 2010], "LSEG BIA guidelines", the Guidelines in the matter of operational continuity of the market infrastructures - May 2014 - issued by Bank of Italy and was approved by the Managing Director and by the Board.

The business continuity plan enables the continuation of the activities in case of unavailability of the office or of the staff for internal or external reasons (terrorist attacks, fire, floods, pandemics, etc.).

The Board of Directors appointed a Business Continuity Manager responsible for the definition, update and 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 to carry out business activities. A human resources plan has been implemented to identify key personnel and their relegated back-ups, as well as the Committee to be activated in case of emergency. The back-up procedures rely also on the availability of the key personnel to work from home or, however, remotely.

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

Together with the Business Continuity Plan also the 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 unavailability of the primary site.

Disaster Recovery plans are tested twice a year.

Technology

In order to efficiently compete, Monte Titoli needs to anticipate and respond promptly and efficiently to the 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 the changing in customers' demand.

The Company's business depends on secure, stable, fast technology and allows high levels of availability and capacity of information processing. If the systems were not able to evolve to cope with increased demand or did not allow to correctly performing the required transactions, Monte Titoli would risk experiencing unanticipated disruption in services, slower response times and delays in the introduction of new products and services.

In this respect, Monte Titoli conducted in 2017 a technological update of the entire infrastructure, basic hardware and software, with the objective of renewing its systems and consequently increasing the response capacity to meet the continuous needs coming from the business.

Monte Titoli has also further strengthened the IT Governance, reviewing and improving the already existing control measures vis-à-vis internal and external third suppliers, to which Monte Titoli had outsourced a part of ITC services.

In fact, the business risk that derives from a service not perfectly timely and accurate from the IT providers is mitigated by specific contractual terms, which provide for the definition of service levels (Service Level Agreements - SLAs) and quantitative parameters (Key Performance Indicator - KPI).

The service and performance levels of the IT Providers are constantly monitored by Monte Titoli, as for the timescales for undertaking and solving problems and anomalies. During the periodical meetings, generally on a monthly basis, the recorded contractual values are analyses for the purpose of ascertaining the compliance with the contract terms, reviewing any problems found with the objective of identifying, if necessary, appropriate corrective measures. Monthly meetings are planned to discuss the achievement of SLAs and, if necessary, to identify appropriate corrective actions.

The envisaged control measures include also those relating to the security of the electronic data processing, aimed at ensuring the protection of data in terms of confidentiality, integrity and availability. The clauses for the confidentiality and storage of the data, as well as the back-up methods and procedures, are comprised within this scope.

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.

Furthermore, a part of the operational data is stored and historically logged at two additional sites, different from those previously described, in compliance with the applicable provisions of law and regulations.

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

In addition to the above, the infrastructure, processes and procedures used for the provisions of the technological services are the subject of an audit at least once a year, as provided by the applicable rules and regulations issued by the Bank of Italy and Consob.

2.6 Governance and Legal information

Name and registered office

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

Date of incorporation and expiry date of the Company

The company was established on 15 February 1978, until 31 December 2049.

Companies' register

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

Legal structure

The company is a joint- stock company duly incorporated and existing under the Laws of Italy, with a management and control system based on the presence of a Board of Directors and a Board of Auditors and a company for the legal audit of accounts.

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 Directors was appointed by the shareholders on 15 April 2015 for three financial years that will expire with the Shareholders' Meeting called to approve the financial statements at 31 December 2017 and is composed as follows:

Paolo Cittadini	Chairman
Raffaele Jerusalmi	Vice Chairman
Mauro Lorenzo Dognini	Managing Director
Andrea Maldi	Executive Director with responsibility for Finance
Marina Forquet Famiglietti[1]	Director
Vincenzo Pontolillo	Independent Director
Mario Quarti	Independent Director
Renato Tarantola	Independent Director
Valentina Sidoti	Director

BOARD OF AUDITORS

The Board of Auditors was appointed by the shareholders on 15 April 2015 for three financial years that will expire at the General Meeting called to approve the financial statements at 31 December 2017 and is composed as follows:

Roberto Ruozi	Chairman
Giuseppe Levi	Statutory auditor
Arturo Sanguinetti	Statutory auditor
Mauro Coazzoli	Alternate auditor
Lorenzo Pozza	Alternate auditor

GENERAL MANAGEMENT

Mauro Lorenzo Dognini	General Manager

BOARD OF ARBITRATORS

Alberto Mazzoni	Chairman
Emanuele Rimini	
Carlo A. Favero	

DISCIPLINARY COMMITTEE

Mario Notari	Chairman
Marco Lamandini	
Giuseppe Lusignani	

CORPORATE GOVERNANCE

The corporate governance structure of Monte Titoli S.p.A. is based on the "traditional" system of management and control, characterized by the presence of the Board of Directors (management body) and Auditors (controlling body) both appointed by the shareholders' meeting.

The accounting audit is entrusted to an auditing company pursuant to the law.

[1] Director co-opted by the Board of Directors' meeting of 28 November 2017 in replacement of Fabrizio Plateroti who had resigned.

Certain aspects of Monte Titoli's governance are being adjusted to the new requirements provided by the European Regulation No. 909/2014 (CSDR) and shall become fully effective upon receipt of the relevant authorization from the national Authority. The interventions concern, in particular, the update of the corporate purpose (amended by resolution of the extraordinary Shareholders' Meeting of 28 April 2017) and the establishment of Committees, such as the Risk Committee and the Remunerations Committee.

The **Board of Directors** is the body with the broadest powers of ordinary and extraordinary management, which is entrusted with the management of the company, according to the delegation model, the assignment and revocation of delegations, as well as examination and approval of strategic, industrial and financial plans, elaborated by delegated bodies. In addition the Board of Directors is responsible for evaluating the adequacy of the organizing, managing and accounting structure as well as of the general performance of the Company on the basis of the report prepared by the delegated bodies. The articles 3 and 21 of the Articles of Association assign to the Board the right to pass resolutions on matters such as: company mergers (in the special cases provided by the law), moving of the registered office on the national territory and establishment or closing down of branches, appointment of the directors in charge with representing the Company, capital decrease in case of shareholders withdrawal and adjustment of Articles of Association with applicable provisions of law.

The Board of Directors appointed the following executive bodies: a Chairman, a Deputy Chairman, a Managing Director and an Executive Director with responsibility for Finance (CFO) and granted to them the same management powers of the company within the limits of the powers delegated to them. The Members of the Board were appointed for a three year period ending on the date of the meeting called to approve the financial statements at 31 December 2017 and may be reappointed. Under the Italian Consolidated Text of Finance Laws or Italian Finance Act (Legislative Decree No. 58/1998), the Ministerial Decree n. 471/1998 and the Articles of Association of Monte Titoli, the office of director may be held by a person with the requirements of integrity, professionalism and independence. Those persons may be vested with the office of director, who are in possession of the eligibility requirements provided by the applicable provisions of law and regulations. At least one third of the directors in office, but not less than two of them, are independent pursuant to EUR 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 the exercise of the delegation of powers, appointed a General Manager, in possession of the eligibility requirements provided for by the applicable provisions of law and regulation and responsible for the ordinary management within the limits of his delegated powers.

The **Board of Auditors** is the body responsible for ensuring the compliance with the law and the Company’s Articles of Association, as well as the observance of correct management principles in the carrying out of 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 called upon to give a reasoned proposal to the shareholders meeting at the time of the audit appointment.

The Board of Auditors performs the functions also of Audit Committee, as provided by Article 48 of EU delegated Regulation No. 392/2017.

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 shall satisfy the requirements of integrity, professionalism and independence pursuant to the applicable provisions of law and by the Articles of Association.

The **Shareholders’ Meetings** is the body that represents all the shareholders and is called to resolve in an ordinary session the approval of the financial statements, the appointment and removal of the members of the Board of Directors, the appointment of the member of the Board of Statutory Auditors and its chairman, the remuneration and responsibilities of directors and auditors, assignment of the accounting audit. In an extraordinary session, the shareholders’ meeting is entrusted to decide about amendments to the Articles of Association, capital increases, mergers and split-offs, except for matters assigned to the competence of the Board of Directors as stated by Article 21 of the Articles of Association.

The **external audit** of the Company’s accounts is carried out in compliance with the applicable provisions of law. The Shareholders’ Meeting of 15 April 2015 appointed EY S.p.A., in compliance with the applicable provisions of law and regulations, for the duration of nine financial years, and, therefore, from the financial year expiring on 31 December 2015 to 31 December 2023 included.

CORPORATE PURPOSE

Monte Titoli has for its exclusive corporate purpose the provision of the centralised management of financial instruments, as well as the provision of the clearing and settlement services and the provision of the gross settlement service of non derivative financial instruments. The Company may also carry out through its subsidiaries and affiliates, activities connected and/or conducive to that of centralized management of financial instruments, as well as ancillary activities to the clearing and settlement service and the gross settlement service, as identified by the regulatory provisions issued by the supervisory Bodies.

SHARE CAPITAL

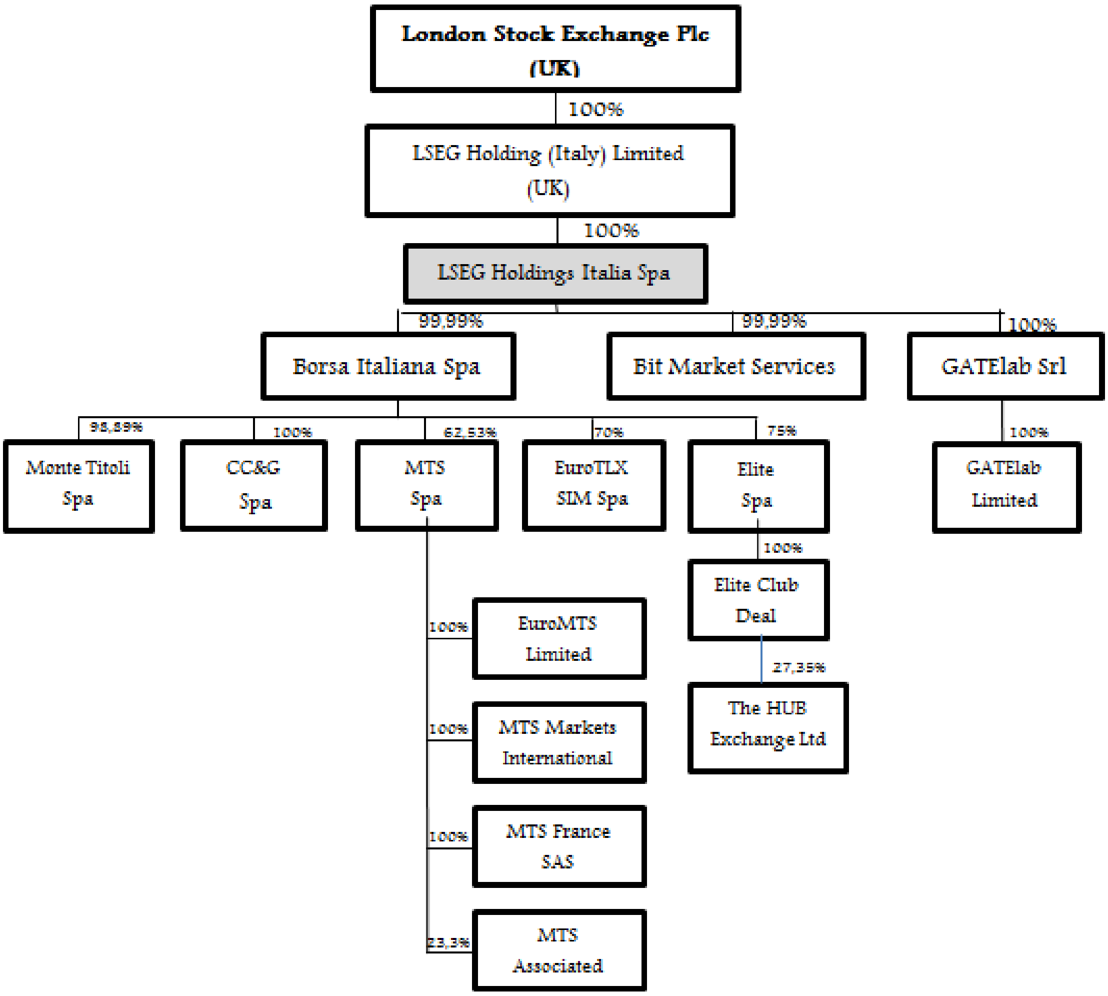
The Company’s share capital amounts to 16,000,000 euro (sixteen million), fully paid up. It is represented by 16,000,000 (sixteen million) ordinary shares with a par value of

1 (one) euro each, issued on a dematerialized basis under the existing provisions of law and entered into the centralised system managed by Monte Titoli.

The Company does not hold and has not acquired or disposed of, during the financial year, 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 2017, 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 2017 is the following:

Shareholder	Number of Shares	% on total share capital
BORSA ITALIANA S.p.A	15,821,979	98.887
EUROCLEAR BANK SA/NA	160,000	1.0000
REALI HOLDING S.r.l.	2,352	0.0147
Dott.ssa Gianna BREGLIANO	5,196	0.0325
Dott. Franco CELLINO	20	0.0000
Dott. Angelo Alessandro COMPOSTELLA	2,681	0.0167
Dott. Giuseppe GAFFINO	2,000	0.0125
Sig.ra Letizia SCHIAVETTI	858	0.0054
Dott.sa Lavinia MARCUCCI	858	0.0054
Avv. Marco Tullio MARCUCCI	860	0.0054
Dott. Michele DE CAPOA	1,598	0.0100
Sig. Diego BOSCARELLI	1,598	0.0100
TOTAL NUMBER OF SHAREHOLDERS (14)	**16,000,000**	**100**

The corporate ownership structure shows no changes compared to that of 31 December 2016.

2.7 TRANSACTIONS WITH RELATED PARTIES

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

2.8 RELEVANT EVENTS OCCURRED AFTER THE CLOSING OF THE FINANCIAL YEAR

No significant events are pointed out occurred after the close of the financial year such as:

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

2.9 Approval of the Financial Statements and the Report on Operations and Proposal of allocation of profits

Dear Shareholders,

We invite you to approve the financial statement at 31 December 2017 (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, either as a whole and as single items and to allocate the net profit of 19,761,073.55 euro as follows:

- to the Shareholders, as dividend equal to 1.23 euro for 16,000,000 ordinary shares having the nominal value of 1 euro each representing the Share Capital, for the overall amount of 19,680,000 euro;
- to Reserves, the remaining profit in the amount of 81,073.55 euro.

The dividend equal to 19,680,000.00 euro in the amount of 1.23 euro for each of the 16,000,000 ordinary shares shall be payable starting from 24 April 2018.

Milan, 20 March 2018

For the Board of Directors
The Chairman
Paolo Cittadini

FINANCIAL STATEMENTS

AT 31 DECEMBER 2017

BALANCE SHEET

ASSETS		31/12/17	31/12/16
60	Receivables	94,064,608	64,985,473
100	Tangible assets	54,289	76,354
110	Intangible assets	21,892,309	35,585,688
120	Tax assets		
	a) current	377	290,433
	b) anticipated	71,983	155,026
140	Other assets	1,178,114	2,326,899
TOTAL ASSETS		**117,261,680**	**103,419,873**

LIABILITIES AND EQUITY		31/12/17	31/12/16
10	Payables	6,736,172	4,298,524
70	Tax liabilities		
	a) current	173,864	-
	b) deferred	-	3,930
90	Other Liabilities	6,452,354	5,075,637
100	Employee severance indemnity	1,613,388	1,541,722
120	Capital	16,000,000	16,000,000
160	Reserves	66,517,966	59,698,095
165	Acconti su dividendi	-	-
170	Valuation reserves	6,863	(17,905)
180	Net income for the year	19,761,074	16,819,870
TOTAL LIABILITIES AND EQUITY		**117,261,680**	**103,419,873**

All amounts are expressed in euro.

INCOME STATEMENT

	ITEMS	31/12/17	31/12/16
10	Interest receivables and similar income	2,027	26,720
20	Interest expenses and similar charges	(174,186)	(126,466)
	INTEREST MARGIN	(172,159)	(99,746)
30	Commission income	90,901,163	81,590,153
40	Commission expenses	(19,336,981)	(14,896,841)
	INTERMEDIATION MARGIN	71,392,022	66,593,566
100	Net losses/write-backs of impairment losses		
	a) financial assets	(93,761)	(57,120)
110	Administrative expenses		
	a) personnel costs	(13,385,183)	(13,686,125)
	b) other administrative expenses	(20,358,132)	(21,610,123)
120	Net losses/write-backs to tangible assets	(22,065)	(37,202)
130	Net losses/write-backs to intangible assets	(9,140,348)	(9,325,715)
160	Other operating income and expenses	1,344,752	3,070,944
	PROFIT/LOSS OF CURRENT ASSETS BEFORE TAXES	29,737,285	24,948,224
190	Income tax during the year on current operations	(9,976,211)	(8,128,353)
	PROFIT/(LOSS) FOR THE FINANCIAL YEAR	**19,761,074**	**16,819,870**

All amounts are expressed in euro.

STATEMENT OF COMPREHENSIVE INCOME

Items	31/12/17	31/12/16
10. Income (Loss) for the financial year	**19,761,074**	**16,819,870**
Other comprehensive income, net of taxes, without reversal to income statement		
20. Tangible assets		
30. Intangible assets		
40. Defined benefits plans	24,768	(28,267)
50. Noncurrent assets held for disposal		
60. Portions of reserves from valuation of shareholdings valued at equity		
Other comprehensive income, before taxes, with reversal to income statement		
70. Hedges of foreign investments		
80. Exchange differences		
90.Cash flow hedging		
100. Financial assets available for sale		
110. Noncurrent assets held for disposal		
120. Portions of reserves from valuation of shareholdings valued at equity		
130. Total other comprehensive income before taxes	**24,768**	**(28,267)**
140. Comprehensive income (items 10 + 130)	**19,785,841**	**16,791,603**

All amounts are expressed in euro.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017

	Balance at 31/12/16	Changes in opening balances	Balance at 01/01/17	Allocation of income for the previous financial year		Changes during the year							Comprehensive income during the year	Shareholder's equity 31/12/17
							Operations on Shareholder's equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advance payments on dividends	Extraordinary distribution of dividends	Changes in capital instruments	Other changes		
Capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- income	46,584,391		46,584,391	6,819,870		-								53,404,261
- other	13,113,704		13,113,704			-								13,113,704
Valuation Reserve	(17,905)		(17,905)	-		24,768							24,768	6,863
Advance payments on dividends	-		-		-									-
Capital Instruments														-
Treasury Shares														-
Profit (loss) for the year	16,819,870		16,819,870	(6,819,870)	(10,000,000)								19,761,074	19,761,074
Shareholder's equity	92,500,060		92,500,060	-	(10,000,000)	24,768	-	-	-	-	-	-	19,761,074	102,285,902

All amounts are expressed in euro.

The changes in reserves are represented by stock options and revaluation reserves pursuant to Law no. 342/2000.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2016

	Balance at 31/12/15	Changes in opening balances	Balance at 01/01/16	Allocation of income for the previous financial year		Changes during the year							Comprehensive income during the year	Shareholder's equity 31/12/16
							Operations on Shareholder's equity							
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Purchase of treasury shares	Advance payments on dividends	Extraordinary distribution of dividends	Changes in capital instruments	Other changes		
Capital	16,000,000		16,000,000											16,000,000
Share premium														
Reserves														
- income	25,186,547		25,186,547	21,397,844		-								46,584,391
- other	13,096,118		13,096,118			17,586								13,113,704
Valutation Reserve	10,362		10,362	-		(28,267)							(28,267)	(17,905)
Advance payments on dividends	-		-		-									-
Capital Instruments														-
Treasury Shares														-
Profit (loss) for the year	21,397,844		21,397,844	(21,397,844)	-								16,819,870	16,819,870
Shareholder's equity	75,690,870		75,690,870	-	-	(10,681)	-	-	-	-	-	-	16,791,603	92,500,060

All amounts are expressed in euro.

CASH FLOW STATEMENT
(DIRECT METHOD)

		FY 31/12/17	FY 31/12/16
A	***OPERATING ACTIVITY***		
1	**Management**	**29,017,248**	**26,239,908**
	interest receivable and similar income	2,027	26,720
	interest expenses and similar charges	(174,186)	(126,466)
	commission income	90,901,163	81,590,153
	commission expenses	(19,336,981)	(14,896,841)
	personnel costs	(13,385,183)	(13,686,125)
	other costs	(20,358,132)	(21,610,123)
	other revenues	1,344,752	3,070,944
	taxes	(9,976,211)	(8,128,353)
2	**Cash flow generated / absorbed by financial assets**	**(7,286,421)**	**35,950,616**
	receivables from banks	(5,148,066)	856,365
	receivables from financial entities	(952,198)	201,916
	receivables from customers	(2,664,061)	36,952,162
	other assets	1,477,904	(2,059,827)
3	**Cash flow generated /absorbed by financial liabilities**	**4,055,964**	**(5,590,168)**
	payables to financial bodies	(111,972)	435,982
	other liabilities	4,167,936	(6,026,150)
	Net Liquidity generated (absorbed) by operating activities	**25,786,791**	**56,600,356**
B	***INVESTMENTS ACTIVITIES***		
1	**Cash flow generated by**	**9,321,813**	**-**
	sale of tangible assets	-	-
	sale of intangible assets	9,321,813	-
2	**Cash flow absorbed by**	**(4,768,783)**	**(6,058,677)**
	purchases of tangible assets	-	(49,945)
	purchases of intangible assets	(4,768,783)	(6,008,732)
	Net cash flow generated (absorbed) by investment activities	**4,553,030**	**(6,058,677)**
C	***FUNDING ACTIVITIES***		
	purchases of Parent Company shares	-	17,586
	distribution of dividends and other purposes	(10,024,768)	(28,267)
	Net cash flow generated (absorbed) by funding activities	**(10,024,768)**	**(10,681)**
D=A +B+C	**NET CASH FLOW GENERATED (ABSORBED) DURING THE YEAR**	**20,315,053**	**50,530,998**

RECONCILIATION

E	**Cash and cash equivalents at the beginning of the year**	**53,820,972**	**3,289,973**
D	**Total cash flow generated (absorbed) during the year**	**20,315,053**	**50,530,998**
E + D	**Cash and cash equivalents at the end of the year**	**74,136,025**	**53,820,972**

All amounts are expressed in euro.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2017**

INTRODUCTION

The present notes are divided into the following parts:
- Part A: Accounting policies,
- Part B: Information on the Balance Sheet
- Part C: Information on the Income Statement
- Part D: Other information

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

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

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

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

The financial statements and the notes are denominated in Euro with mathematical rounding the unit 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 financial year closed at 31 December 2017 were prepared according to the on-going concern assumption and in compliance with the *International accounting standards IAS/IFRS* as illustrated and interpreted by *the International Financial Reporting Interpretations Committee (IFRIC)* and approved by the European Commission.

Section 2 contains all the new principles applicable with effect from 1 January 2017.

Section 2 *– Main principles for reporting*

STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS AT 31 December 2017

Monte Titoli's operations are governed by the provisions of Legislative Decrees No. 58 of 24 February 1998, and No. 213 of 24 June 1998, as amended and 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, deals with the centralized management of financial instruments, which includes dematerialized instruments pursuant to the legislative decree no. 213 of 24 June 1998, as well as clearing and gross settlement services of non derivative financial instruments.

Since 1 January 2005 Monte Titoli S.p.A. has adopted the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board* (IASB) and approved by the European Commission. The acronym IFRS 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 is pointed out that the criteria described below did not change with respect to the previous financial year.

These financial statements for the financial year closed on 31 December 2017 refer to the period from 1 January 2017 to 31 December 2017.

The Financial Statements as of 31 December 2017 are composed by the balance sheet, income statement, cash flow statement, statements of changes in shareholders' equity, statement of comprehensive income and explanatory notes; they also include the statement of changes in tangible and intangible assets.

The financial statements are derived from the schemes provided by the "*Istruzioni per la redazione dei bilanci e dei rendiconti degli Intermediari finanziari ex art. 107 del TUB, degli Istituti di pagamento, degli IMEL, delle SGR, e delle SIM*" issued by the Bank of Italy through a measure dated 9 December 2016.

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

New accounting standards

The separate financial statements of the Company are prepared according to the accounting principles issued by the International Accounting Standards Board (IASB) and the relevant interpretations by the International Financial Reporting Interpretations Committee (IFRIC and SIC) and validated by the European Commission, as provided by the European Communities regulation no. 1606 of 19 July 2002 replicated in Italy by Legislative Decree no. 38 of 28 February 2006, until 31 December 2017.

In preparing these financial statements the same principles have been used, where applicable, adopted in the preparation of the financial statements at 31 December 2016. The financial statements have been prepared on the basis of the assumption of a continuation of operations.

New principles applicable effective from the financial year closed on 31 December 2017

It is pointed out that the following accounting principles, amendments and interpretations, effective from 1 January 2017, are not relevant or have generated no relevant effects for the Company:

Title of the document	Date of Issue	Date of coming into force	Date of validation	EU Regulation and date of publication
Information Initiative– Amendments to IAS 7	January 2016	1 January 2017	6 November 2017	(UE) 2017/1990 9 November 2017
Recording of deferred fiscal activities for unrealized losses - Amendments to IAS 12	January 2016	1 January 2017	6 November 2017	(UE) 2017/1989 9 November 2017

New accounting principles and interpretations already issued but not yet in full force and effect

The new principles and interpretations are here listed and shortly described, which have already been issued by the European Union and not applicable for the preparation of the financial statements for the financial year closing at 31 December 2017.

IFRS 9 (Financial Instruments)

The new accounting standard IFRS 9 – Financial Instruments will replace, effective 1 January 2018, IAS standard 39 with the objective of simplifying the classification and evaluation of financial activities, defining a new impairment procedure and new hedge accounting policies.

The areas on which IFRS 9 will potentially have an impact are the financial activities as far as the classification and evaluation of the same is concerned. These, together with the item Receivables, shall also form the subject of new impairment procedures in a prospective viewpoint (e.g. receivables devaluation fund).

The parent Company LSE has started a centralised analysis and development project, involving the Company, for the purpose of defining qualitative and quantitative impacts and any interventions that are necessary for the adoption of the new standard. Even though the adoption of IFRS 9 should not have a significant impact on the financial statements, the Company, in collaboration with the parent Company, will complete the assessment project in 2018.

IFRS 15

The new accounting standard IFRS 15 – Revenue from Contracts with Customers will replace effective 1 January 2018, accounting standards IAS 11 Accounting for Construction Contracts and IAS 18 Revenue Recognition and relevant interpretations. The objective of the new standard is to create a complete homogeneous reference framework for the recognition of revenues, providing a precise form (five-step model) applicable to all the commercial contracts, with the exception of leasing contracts, insurance contracts and financial instruments.

The Parent Company LSE started a centralized project of analysis and development, involving the Company, for the purpose of defining the qualitative and quantitative impacts and any interventions that should become necessary for the adoption of the new standard. Even if the adoption of IFRS 15 does not have a significant impact on the financial statements the Company, in collaboration with the Parent Company, will complete the assessment process in the course of 2018.

The new principles and interpretation already issued and validated by the European Union and, therefore, not applicable for the preparation of the financial statements for the financial year ending on 31 December 2017, are shortly listed and described below.

IFRS validated by EU on 9 November 2017 and applicable to the financial years starting after 1 January 2018

Title of the document	Date of Issue	Effective Date	Date of Validation	EU Regulation and date of publication
IFRS 15 – Revenues coming from contracts with customers	May 2014 (Note 1)	1st January 2018	22 September 2016	(UE) 2016/1905 29 October 2016
IFRS 9 – Financial Instruments	July 2014	1st January 2018	22 November 2016	(UE) 2016/2067 29 November 2016
Joint application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts – (Amendments to IFRS 4)	September 2016	1st January 2018	3 November 2017	(UE) 2017/1988 9 November 2017

Clarifications to IFRS 15 - Revenues coming from contracts with customers	April 2016	1st January 2018	31 October 2017	(UE) 2017/1987 9 November 2017
IFRS 16 - Leasing	January 2016	1st January 2019	31 October 2017	(UE) 2017/1986 9 November 2017

(Nota 1) The amendment amending the effective date of IFRS 15 was published in September 2015.

IFRS not yet validated with effective date 1st January 2017

Title of document	Date of issue by a IASB	Effective date of IASB document	Envisaged date of validation by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	(Note 1)	(Note 1)
IFRS 17 Insurance Contracts	May 2017	1 January 2021	TBD
Interpretations			
IFRIC 22 Foreign Currency Transactions and Advance Consideration	December 2016	1 January 2018	2018
IFRIC 23 Uncertainty over Income Tax Treatments	June 2017	1 January 2019	2018
Amendments			
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred until completion of IASB project on the equity method	Postponed while waiting for the conclusion of IASB project on the equity method
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1° January 2018	2018
Annual Improvements to IFRS Standards 2014-2016 Cycle	December 2016	1 January 2017/ 1 January 2018	2018
Amendments to IAS 40: Transfers of Investment Property	December 2016	1 January 2018	2018
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	October 2017	1 January 2019	2018
Amendments to IFRS 9: Prepayment Features with Negative Compensation	October 2017	1 January 2019	2018

(Note 1) IFRS 14 became effective on 1 January 2016, but the European Commission decided to suspend the validation process while waiting for the new accounting standard on the "rate-regulated activities".

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

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.

Receivables

In addition to trade receivables, this item includes balances of bank accounts and the receivable related to the loans to Group companies.

Trade receivables the due date of which is within normal trade deadlines are initially recorded at the "fair value" of the receivable amounts, which, for this type, corresponds to the nominal value shown on the invoice. Subsequently, receivables are measured at amortized cost which generally corresponds to the nominal value, if necessary adjusted to the expected realization value, taking into account the risk of failure to collect, carefully estimated considering the individual positions and previous experiences.

A provision to the receivables devaluation fund is recorded when there is objective evidence of the debtor financial difficulties and of the probability that the latter will be in default in the performance of its payment obligations.

The value of the receivable is reduced by the amount of the relevant provision to the receivables devaluation fund. The provisions to the receivables devaluation fund are recorded in the income statement. When a receivable becomes non-collectible, it is written off using the provision to the receivables devaluation fund; the collection of a receivable which was previously written off shall be credited to the income statement.

Tangible assets

Tangible assets are evaluated at purchase cost. The cost includes ancillary charges as well as direct and indirect costs for the portion which 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 shown net of any impairment losses and depreciation.

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

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

Fixed asset, technical equipment, plant and machine	**Useful life**
Automatic data processing systems	3 years
Plants and systems and technical equipment	3 years
Furniture and Furnishings	3 years

Depreciation commences on the first day of the month in which the asset was 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 these indications, the recoverable value of the asset is estimated, to determine the possible extent of the 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.

The deferred tax is determined: (i) on the basis of temporary differences between the book value of an asset or a liability (according to specific criteria) of the financial statements and the taxable value; (ii) on the basis of temporary differences in the taxability of income.

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

Impairment loss of assets

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

In case it is not possible to individually estimate the recoverable amount of an asset, the company estimates the recoverable value of the unit generating the financial flow to which the asset belongs[1].

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

Non-current assets and groups of assets held for disposal

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

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[1] The recoverable amount of an asset is the higher between fair value less costs to sell and value in use. The current value is calculated as the amount 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 back the estimated future cash flows, before taxes, at a discount rate before taxes that reflects current market assessments of the time value of money of the risks specific to the asset.

classified in this category, the depreciation process stops at the time of the reclassification.

Recording of this item takes place in the moment in which 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 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 continuing 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.

Debts

Debts falling due within the normal trade deadlines, are not discounted and are recorded at cost, identified by their nominal value.

Other Liabilities

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

Employee severance indemnity

The severance indemnity (hereinafter TFR) due to employees pursuant to Article 2120 of the Italian Civil Code is subject to actuarial assessment, based on assumptions relating to the working life of employees and the remuneration received by them during a pre-determined period of service. The entry of the plans with funded defined benefits in the financial statements requires an estimate based on actuarial techniques of the amounts of the benefits accrued by the employees in exchange for the work activity provided in the current financial year and in the preceding financial years and the discounting of such benefits for the purpose of determining the current value of the Company's obligations. The determination of the current value of the Company's obligations is performed by an external expert according to the “Projected Unit Credit Method” (Not: sometimes also known as the accrued benefit method pro-rated on service or as the benefit/years), considering only the seniorities accrued on the evaluation date, the years of service accrued on reference date of the assessments and the overall seniority reached at the time provided for the payment of the benefit. Moreover, the above-mentioned method provides that future salary increases are to be considered, regardless of the reason why they are due (inflation, career, contractual renewals, etc.), up to the time of termination of the work relationship.

The Regulation no. 475/2012 has validated the amendments to the IAS 19, as approved by IASB on 16 June 2011, with the objective of favouring the comprehensibility and comparability of the financial statements, above all with reference to the defined benefit plans. The more relevant novelty introduced concerns the avoidance of the different accounting processing methods admissible for the recording of the defined benefit plans and the consequent introduction of a single method that provides for the immediate acknowledgement in the statement of the comprehensive income of the actuarial profits/losses deriving from the evaluation of the obligation. In relation to the previous accounting structure adopted, the principal effect consists of the avoidance of the entry in the income statement, with immediate acknowledgement in the statement of comprehensive income and, therefore, in the shareholders' equity, of the changes in the value of the obligations and of the assets to the service of the plan.

Share-based payments

The payments to employees based on shares in the parent company London stock Exchange Group plc are recognized by recording at cost in the Income Statement the portion of the share allocation plan, determined at fair value on the date of assignment of the plan and taking into account the terms and conditions on which such instruments have been assigned.

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

If these are SBPs identified as Equity Settled, an increase is recorded in the corresponding Shareholders' Equity reserve in compliance with IFRS 2.

In addition to the cost of the share allocation plan, the portions of Employee Severance Indemnity, which the Company must settle or recognise at the end of their accrual period, are recorded in the income statement together with a corresponding increase in the relevant liabilities.

Revenues

Revenues are accounted for on an accrual basis and are recorded to the extent it is possible to reliably determine their fair value and it is likely that the relevant economic benefits will be enjoyed.

Costs

The elements of this item are recognized in the income statement on an accrual basis and consist in decreases of economic benefits, with a balancing cash outflow or reduction in assets value or increased liability value.

Financial income and expenses

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

Taxes

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

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

Deferred tax is the tax that is expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of the taxable profit. The deferred taxes are accounted for in accordance with the balance sheet liability method. Deferred tax liabilities are generally recorded for all taxable temporary differences. Deferred tax assets are recorded to the extent that it is probable that there will be sufficient taxable profits in the future against which it will be possible to use of the deductible temporary differences. These assets and liabilities are not recorded if the temporary difference arises from goodwill or from the initial recording (not in business combination transactions) of other assets and liabilities in a transaction that affects neither the accounting profit nor the taxable profit.

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

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

Monte Titoli S.p.A. exercised the choice for participating in the Italian national tax consolidation system of London Stock Exchange Group Holding Italia Spa governed by an agreement for the periods from 1 January 2015 to 31 December 2017.

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

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

Income taxes are allocated on the basis of the forecast of the tax charge of the year with reference to the applicable provisions of law and regulations.

Such allocation takes into account the effect of the temporary differences between statutory income and income for tax purpose, determining the relevant deferred and anticipated taxes.

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

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

In drawing these Financial Statements use was made of estimates and assumptions that may determine effects on the values recorded in the balance sheet, income statement and reported in the explanatory notes.

In particular, the employment is more required of subjective evaluations by the Company's management in the following events:

- the quantification of the losses for the decrease in the value of financial assets, having particular regard to receivables;
- the evaluation of the consistency of the value of intangible assets;
- the quantification of the funds for personnel and of the funds 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 asset.

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

Main Risks and Uncertainties

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

Having regard to those recommendations and with reference to the precondition of a continuity of the Company's operations, it is pointed out that the Financial Statements at 31 December 2017 were prepared based on the assumption of an on-going concern, there being no reasons for not considering that the Company will continue operating in a foreseeable future. In fact, no symptoms were found in the equity and financial structure and in the operating performance that may induce uncertainties on this issue. The information on risks and uncertainties to which the Company is exposed are described in the context of this report.

The information of financial risks and operational risks are described in the following Explanatory Notes devoted to the subject of risks. While preparing the financial statements, controls have been made with regard to the assessment of any losses of value of intangible assets, by means of analyses that provide for the verification of impairment indicators and the determination of a possible devaluation.

A.3 REPORTING OF 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 for 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 is an assumption that an entity is fully operational and is not in need of liquidating or reducing the asset, or to undertake a transaction on adverse terms. The fair value reflects the credit quality of the instrument since it incorporates counterparty risk.

In March 2009, the IASB issued an amendment to IFRS 7 introducing a series of changes designed to give adequate response to the need for greater transparency generated by the crisis in the financial markets and the uncertainty related to the high market prices. The disclosure on the so-called "fair value hierarchy" is particularly important because it requires to provide specific information on the portfolios of financial instruments by classifying the same in relation to three levels of fair value.

Information of Qualitative Nature

For financial instruments, fair value is determined through the use of 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 the issuer of the financial instrument.

The financial instruments are valued at fair value, according to classes provided for in Principle 13, as by the following legend:

-level 1: prices (without adjustments) on the active market as defined by IAS 39 for assets or liabilities to be measured;

-level 2: inputs other than quoted prices included in the preceding point, that are observable either directly (as prices) or indirectly (derived from prices);

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

If financial assets are valued for in absence of observable market data, the evaluation of the financial assets at cost is considered correct. In this case the evaluation is preceded by an impairment test aimed at assessing the existence of significant and permanent reductions in value.

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 of 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 fair value of the same date.

In case of financial instruments different from 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 other than those at fair value recorded in the income statement and classifiable as level 3, the possible difference against the amount received or paid could be theoretically recognized 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 the market participants to evaluate the prices of the instruments.

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

Information of a Quantitative Nature

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: breakdown by fair value levels

Assets/Liabilities not measured at fair value or measured at fair value on a non-recurring basis	Total 31/12/17				Total 31/12/16			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets held to maturity								
2. Loans	94,064,608			94,064,608	64,985,473			64,985,473
3. Tangible assets held for investment								
4. Noncurrent assets and groups of assets held for disposal								
Total	**94,064,608**	**-**	**-**	**94,064,608**	**64,985,473**	**-**	**-**	**64,985,473**
1. Liabilities	6,736,172			6,736,172	4,298,524			4,298,524
2. Outstanding securities								
3. Liabilities associated with assets held for disposal								
Total	**6,736,172**	**-**	**-**	**6,736,172**	**4,298,524**	**-**	**-**	**4,298,524**

A.4.6 Other Information

At 31 December 2017 there is no information to be reported pursuant to IFRS 13, paragraphs 51, 93 (i), 96 since:

- no assets exist valued at fair value on the basis of the "highest and best use";
- the Company did not avail itself of the possibility to measure the fair value at the level of overall portfolio exposition, for the purpose of taking into account the offsetting of the credit risk and the market risk of a certain group of financial assets or liabilities;
- there were no exceptions with reference to the accounting policy.

A.5 Day one profit / loss

In the financial year, for Monte Titoli there was no "day one profit / loss" from financial instruments in accordance with paragraph 28 of IFRS 7 and the other paragraphs of IAS / IFRS connectable thereto.

ANALYSIS OF ITEMS IN THE FINANCIAL STATEMENTS

At 31 December 2017 [2]

Part B – Information concerning 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 6
RECEIVABLES (item 60)

This item amounts to 94,064,608 euro (64,985,473 euro on 31 December 2016) of which 74,136,025 euro refer to checking account balances with banks, 19,928,583 euro refer to invoices issued or to be issued for services rendered.

It is pointed out that consolidated IRES receivable to the holding company Borsa Italiana in the amount of 195,701 euro for the taxation period 2008-2008 and to the holding company LSEGH Italia S.p.A. in the amount of 288,488 euro for the taxation period 2010-2012 was reclassified into "Other Assets". Such receivable derives from the provisions of law contained in Article of the so-called "Salva Italia" [Save Italy] decree, Law Decree No. 201/11 and refund therefor will be requested according to the procedures approved by specific measure issued by the Italian Internal Revenue Office on 17 December 2012, on the basis of the schedule of transmission of the applications related to the measure.

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[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 2016 is shown in between brackets.

6.1 Receivables to Banks

Breakdown	Total 31/12/17				Totale 31/12/16			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Deposits and bank accounts	74,136,025			74,136,025	53,820,973			53,820,973
2. Loans								
2.1 Repo								
2.2 Financial Leasing								
2.3 Factoring								
with recourse								
without recourse								
2.4 Other loans								
3. Debt securities								
structured securities								
other debt securities								
4. Other assets								
Receivables Italian Banks	10,998,184			10,998,184	6,071,694			6,071,694
Receivables Foreign Banks	343,617			343,617	427,373			427,373
Receivables from group companies	542,055			542,055	233,457			233,457
Total	**86,019,880**			**86,019,880**	**60,553,497**			**60,553,497**

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

6.2 Receivables vis-à-vis Financial Institutions

Breakdown	Total 31/12/17				Total 31/12/16			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Loans								
1.1 Repo								
1.2 Financial Leasing								
1.3 Factoring								
with recourse								
without recourse								
1.4 Other loans								
3. Debt securities								
structured securities								
other debt securities								
3. Other assets								
Receivables to Italian financial institutions	221,369			221,369	81,680			81,680
Receivables to Foreign financial institutions	1,090,076			1,090,076	306,833			306,833
Receivables to Companies of the group	124,078			124,078	108,381			108,381
Totale	**1,435,523**			**1,435,523**	**496,894**			**496,894**

The item “Receivables to Companies of the Group” includes receivables to EuroTLX SIM S.p.A. relating to the equalization for the X-TRM fee.

6.3 Receivables vis-à-vis Customers

Breakdown	Total 31/12/17				Total 31/12/16			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		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 with regard to payment services provided								
1.6 Other loans								
Loans to Companies of the group	-			-	-			-
2. **Debt securities**								
2.1 structured securities								
2.2 other debt securities								
3. **Other assets**								
Receivables to Italian financial institutions	1,096,706			1,096,706	869,979			869,979
Receivables to Foreign financial institutions	22,807			22,807	10,421			10,421
Receivables to Companies of the group	5,489,693			5,489,693	3,054,682			3,054,682
Total	**6,609,205**			**6,609,205**	**3,935,082**			**3,935,082**

Receivables devaluation provision at 31 December 2017, which amounts to € 126,239 is considered adequate to adjust the value of the Company's receivables at their fair value.

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

The item "Receivables to Companies of the Group" includes receivables relating to the equalization for X-TRM fee to Borsa Italiana S.p.A. and MTS S.p.A..

The following table gives 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 13,772,980 euro.

	Values at 31/12/17	0-90 days		90-180 days		ore than 180 da	
Banks	11,341,801	11,329,672	82.3%	9,981	0.1%	2,148	0.0%
Financial Institutions	1,311,445	1,258,450	9.1%	50,251	0.4%	2,743	0.0%
Clients	1,119,512	961,937	7.0%	59,586	0.4%	97,989	0.7%
	13,772,758	13,550,059	98.4%	119,818	0.0%	102,881	0.7%

Section 10

TANGIBLE ASSETS (item 100)

10.1 Tangible assets for functional use: composition of assets valued at cost

Items/Value	Total at 31 December 2017	Total at 31 December 2016
1. Owned assets		
a) land		
b) buildings		
c) furniture		
d) electronic system		
e) others	4,344	26,409
f) works in progress and prepayments	49,945	49,945
2. Assets acquired under financial leases		
a) land		
b) buildings		
c) furniture		
d) electronic system		
e) others		
f) works in progress and prepayments		
Total	**54,289**	**76,354**

10.5 Tangible assets for functional use: annual changes

			Land	Buildings	Furniture	Electrical devices	Others	Constructions in progress and prepayments	Total
A.		**Gross opening balance**	**-**	**-**	**-**	**-**	**26,409**	**49,945**	**76,354**
A.	1	Total net reductions	**-**	**-**	**-**	**-**	**-**	**-**	**-**
A.	2	**Net opening balance**	**-**	**-**	**-**	**-**	**26,409**	**49,945**	**76,354**
B.		**Increases**							
B.	1	Purchases					-	-	**-**
B.	2	Improvement costs capitalized							
B.	3	Writebacks							
B.	4	Increases in the *fair value* recognized in							
		a) equity							
		b) income statement							
B.	5	Exchange rate gains							
B.	6	Transfers from properties held for investment purposes							
B.	7	Other changes							
C.		**Decreases**							
C.	1	Sales							
C.	2	Depreciation		-			22,065		**22,065**
C.	3	Adjustments for impairment recognized in							
		a) eqyity							
		b) income statement							
C.	4	Cecreases in the *fair value* recognized in							
		a) equity							
		b) income statement							
C.	5	Exchange rate losses							
C.	6	Trasfers to:							
		a) plant and equipment held for investment purposes							
		b) assets on disposal	-	-					**-**
C.	7	Othr changes							
D.		**Net closing balance**	**-**	**-**	**-**	**-**	**4,344**	**49,945**	**54,289**
D.	1	Total net reductions	-	-	-	-	-	-	**-**
D.	2	**Gross closing balance**	**-**	**-**	**-**	**-**	**4,344**	**49,945**	**54,289**
E.		Valuation at cost							

Section 11
INTANGIBLE ASSETS (item 110)

11.1 Breakdown of the item 110 "Intangible assets" annual changes

Items/Valuation	Total 31/12/17		Total 31/12/15	
	Assets valued at cost	Assets valued at fair value	Assets valued at cost	Assets valued at fair value
1. Goodwill				
2. Other intangible assets				
2.1 owned by the company				
generated internally				
others				
- cost of formation and expansion	-		-	
- franchises, licenses and similar ri	14,431		103,253	
- other intangible assets	20,904,412		25,356,816	
- pending acquisitions of intangible assets and payments on account	973,466		10,125,620	
2.2 acquired with financial lease				
Total	**21,892,309**		**35,585,688**	

The decrease in pending acquisitions of intangible assets must be ascribed mainly to the write-off of suspended costs relating to investments for *globeSettle* following the decision of the Company's Board of Directors (16 May 2017) to cease the activity as central depository of financial instruments.

The item "other intangible assets" contains the costs for the development of applications devoted to the management of custody (tax services) and settlement (T2S, X-COM) services.

11.2 Intangible assets: annual changes

	Total
A. Opening balances	**35,585,688**
B. Increases	
B.1Purchases	**169,659**
B.2 Write-backs	
B.3 Positive changes	
of fair value attributed to:	
a) shareholders' equity	
b) income statement	
B.4 Other changes	**4,599,122**
C. Decreases	
C.1Sales	
C.2 Depreciations	**9,140,347**
C.3 Value adjustments due to	
impairment attributed to:	
a) shareholders' equity	
b) income statement	
C.4 Negative changes	
of fair value attributed to:	
a) shareholders' equity	
b) income statement	
C.5 Other changes	**9,321,813**
D. Closing Balance	**21,892,309**

11.3 Intangible assets: Other Information

Other intangible assets (estimated at cost)	**Values at 31/12/16**	**Increases**	**Decreases**	**Amortisation**	**Values at 31/12/17**
Costs of formation and expansion	1,006,330				1,006,330
- amortisation at the date	(1,006,330)				(1,006,330)
Franchises, licenses and similar rights	4,323,166		-		4,323,166
- amortisation at the date	(4,219,912)		-	(88,822)	(4,308,734)
Other intangible assets (1)	55,048,652	4,599,122			59,647,774
- amortisation at the date	(29,691,837)			(9,051,525)	(38,743,362)
Pending acquisitions and payments on account (2)	10,125,619	169,659	(9,321,813)		973,465
Total	**35,585,688**	**4,768,781**	**(9,321,813)**	**(9,140,347)**	**21,892,309**

(1) Other intangible assets are mainly constituted by the costs incurred by Monte Titoli S.p.A. for the developments of the applications devoted to the management of the custody (tax services) and settlement (T2S, X-COM) services.

(2) *Pending acquisitions of intangible assets are mainly represented by advance payments relating to the upgrade maintenance of the custody and settlement systems. The decrease in the amount of 9.3 million euro in pending acquisitions of intangible assets must be ascribed mainly to the write-off of developments being realized for globeSettle following the decision of the Company's Board of Directors (16 May 2017) to cease the activity as central depository of financial instruments.*

For this item, according to applicable accounting principles, no amortisations have been taken.

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

Section 12

TAX ASSETS AND LIABILITIES

12.1 Breakdown of item 120 "Current and prepaid tax assets"

Current tax assets

	Values at 31 December 2017	Values at 31 December 2016
Income tax	377	290,412
Withholding tax	-	21
Total	**377**	**290,433**

Prepaid tax assets

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

The amount of € 71,983 euro is broken down in the tables below.

	Values at 31 December 2017	Values at 31 December 2016
Prepaid tax assets	71,983	155,026
Total	**71,983**	**155,026**

For the purpose of better representing the offsetting entries in Shareholders' Equity and those in the income statement, the respective tables are reported below in equalization with the total of the Item.

Prepaid tax assets

Anticipated taxes	31/12/17				31/12/16			
	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 amortization	52,118	14,332	-	14,332	60,081	16,522	-	16,522
Maintenance expenses	-	-	-	-	3,343	920	-	920
Deferred compen- sation to employees	-	-	-	-	39,489	10,859	-	10,859
Remuneration of directors	-	-	-	-	54,000	-	-	-
Remuneration to auditors	25,725	7,075	-	7,075	25,725	7,074	-	7,074
Bad debt provision	100,215	27,559	-	27,559	131,543	36,174	-	36,174
Value adjustments to assets	82	24	-	24	-	-	-	-
Provisions for future expenses fund		-	-	0	220,000	60,500.00	12,254	72,754
Total anticipated tax assets	**178,140**	**48,990**		**48,990**	**534,181**	**132,050**	**12,254**	**144,304**

The item represents the negative income components in relation to which the applicable provisions of tax laws provide for a postponed deductibility, in whole or in part, with respect to the present taxable period.

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

Anticipated taxes	31/12/17			31/12/16		
	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**	Temporary differences amounts	Tax effect (rate 27,5%)	**Total tax effect**
Severance Indemnities (TFR)	38,989	10,722	10,722	38,989	10,722	10,722
Severance Indemnities (TFR) da reclassification	39,489	10,859	10,859			
Severance Indemnities (TFR)	19,426	5,342	5,341			
Severance Indemnities (TFR) da reclassification	(14,291)	(3,930)	(3,930)			
Total anticipated tax assets	**38,989**	**22,993**	**22,993**	**38,989**	**10,722**	**10,722**

12.2 Breakdown of item 70 "Current and deferred tax liabilities"

	Values at 31 December 2017	**Values at 31 December 2016**
Income tax	173,864	-
Total	**173,864**	**-**

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

Prepaid taxes	31 December 2017		31 December 2016		
	Temporary differences amounts	Tax effect (rate 27.5%)	Temporary differences amounts	Tax effect (rate 27.5%)	**Total tax effect**
Severance Indemnities	-	- -	14,291	3,930	3,930
Total Prepaid tax assets	**-**	**- -**	**14,291**	**3,930**	**3,930**

Deferred tax liabilities

Deferred taxes	31 December 2017			31 December 2016		
	Temporary differences amounts	Tax effect (rate 27.5%)	**Total tax effect**	Temporary differences amounts	Tax effect (rate 27.5%)	**Total tax effect**
Severance Indemnities	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Total deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**

12.3 Changes in prepaid tax assets with a counter entry directly recognized in the income statement

	Total at 31/12/17	Total at 31/12/16
1. Opening balances	**144,304**	**80,635**
2. Increases		
2.1 Anticipated taxes in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) writebacks		
d) others	10,557	85,127
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Anticipated taxes derecognised during the year		
a) reversals		
b) write-offs		
c) due to changes in accounting criteria		
d) others	(95,012)	(21,458)
3.2 Reduction in tax rates		
3.3 Other deductions		
a) changes in tax credits pursuent to Law 214/2011		
b) others	(10,859)	
4. Closing balance	**48,990**	**144,304**

12.4 Changes in deferred tax liabilities (with a counter entry directly recognized in the income statement)

	Total at 31/12/17	Total at 31/12/16
1. Opening balances	**-**	**(2,457)**
2. Increases		
2.1 Anticipated taxes in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) others		2,457
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Anticipated taxes derecognised during the year		
a) reversals		
b) due to changes in accounting criteria		
c) others	-	
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Closing balance	**-**	**-**

12.5 Changes in advanced tax liabilities (with a counter entry directly recognized in shareholders' equity)

	Total at 31/12/17	Total at 31/12/16
1. Opening balances	**(3,930)**	**(3,930)**
2. Increases		
2.1 Anticipated taxes in the FY		
a) related to previous FYs	3,930	
b) due to changes in accounting criteria		
c) others		-
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Anticipated taxes derecognised during the year		
a) reversals		
b) write-offs		
c) due to changes in accounting criteria		
d) others	-	
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Closing balance	**0**	**(3,930)**

12.6 Changes in prepaid tax assets (with a counter entry directly recognized in shareholders' equity)

	Total at 31/12/17	Total at 31/12/16
1. Opening balances	**10,722**	**-**
2. Increases		
2.1 Anticipated taxes in the FY		
a) related to previous FYs		
b) due to changes in accounting criteria		
c) others	5,342	10,722
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Anticipated taxes derecognised during the year		
a) reversals		
b) due to changes in accounting criteria		
c) others		
3.2 Reductions in tax rates		
3.3 Other reductions		
4. Closing balance	**16,064**	**10,722**

Section 13

NON CURRENT ASSETS, GROUP OF ASSETS HELD FOR SALE AND ASSOCIATED LIABILITIES (item 130)

13.1 Breakdown of the item 130 "Non current assets and group of assets held for sale"

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

Section 14

OTHER ASSETS (item 140)

14.1 Breakdown of the item 140 "Other assets"

	Values at 31/12/17	Values at 31/12/16
Receivables LSEGH Italia for IRES tax	-	2,005,698
Receivables to companies of the Group for IRES	484,189	-
Deferred income	422,244	290,359
Receivables Tax Authorities for VAT and other taxes	224,141	
Receivables to the Group leader for other taxes	31,386	-
Guarantee deposits	10,767	11,941
Receivables INPS e INAIL	5,387	18,901
Totale	**1,178,114**	**2,326,899**

It is pointed out that the position towards the consolidating company for IRES is classified in "Other Liabilities" having a negative balance in the current financial year.

The item "Receivables to companies of the Group for IRES" includes receivables vis-à-vis Borsa Italiana S.p.A. and LSEGH Italia S.p.A. for past IRES, reclassified for the current financial year in "Receivables" and "Other Assets".

Deferred income mainly refers to the provision of fiscal services in the amount of 214,257 euro, of ratings of financial instruments in the amount of € 104,788, and the maintenance fee for € 72,094.

BALANCE SHEET – LIABILITIES

Section 1

DEBTS (item 10)

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

1.1 Debts

Items	Total at 31/12/17			Total at 31/12/16		
	to banks	to financial institutions	to suppliers	to banks	to financial institutions	to suppliers
1. Loans						
1.1 Repo						
1.2 Other loans						
2. Other debts						
Trade debts		1,360,766	2,831,979		1,472,737	1,410,889
Debts to group companies			2,543,428			1,414,897
Total	**-**	**1,360,766**	**5,375,406**	**-**	**1,472,737**	**2,825,786**
Fair value - level 1						
Fair value - level 2						
Fair value -level 3		1,360,766	5,375,406		1,472,737	2,825,786
Total Fair value	**-**	**1,360,766**	**5,375,406**	**-**	**1,472,737**	**2,825,786**

Section 9

OTHER LIABILITIES (item 90)

9.1 Breakdown of item 90 "Other liabilities"

	Values at 31/12/17	Values at 31/12/16
Payables to employees	3,363,210	2,813,642
Payables to LSEGHI S.p.A. for IRES	1,250,838	-
Payables to social security institutions	1,173,985	1,076,171
Payables due to tax authorities for withholding tax	644,523	300,557
Other payables	6,866	-
Payables to tax authorities for VAT	-	885,267
Deferred income	12,932	-
Totale	**6,452,354**	**5,075,637**

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

Section 10

EMPLOYEE SEVERANCE INDEMNITY (item 100)

This item records the discounted liabilities for Employee Severance Indemnity

10.1 Employee Severance Indemnity: annual changes

	Values at 31/12/17	**Values at 31/12/16**
A. Opening balances	1,541,722	1,550,406
B. Increases		
B1. Provisions during the year	85,142	73,158
B2. Other positive changes (cost for interest)	17,695	27,475
B3. Other positive changes (actuarial loss)		38,989
B4. Other increases		-
C. Decreases		
C1. Settlement made	(11,745)	(148,306)
C2. Other negative changes (Actuarial gain)	(19,426)	
C3. Other decreases		
D. Closing balances	**1,613,388**	**1,541,722**

The following table shows the assumptions used for the actuarial evaluation of the Employee Severance Indemnity (TFR).

10.2 Rates used for actuarial evaluation

	Values at 31/12/17	**Values at 31/12/16**
Annual Discounting rate	1.29%	1.30%
Annual Inflation rate	1.50%	1.50%
Annual salaries increase rate for managers and middle ranking managers	3.50%	3.50%
Annual salaries increase employees	2.50%	2.50%
Annual rate of increase of the Employee Severance Indemnity (TRF)	2.63%	2.63%

With regard to the discount rate, for the valorization of said parameter the index iBoxx Eurozone Corporates AA 10+ on the date of evaluation was taken into consideration.

Below the sensitivity analysis is reported carried out on the main variables adopted in the discount calculation of the Severance Indemnity Fund.

	Yearly discount rate		Yearly inflation rate		Yearly turnover rate	
	+0.5%	-0.50%	+0.25%	-0.25%	+2%	-2%
Monte Titoli	1,320,567	1,443,765	1,398,431	1,362,546	1,369,735	1,393,160

Section 12

SHAREHOLDERS' EQUITY (items 120 – 160 – 165 - 170)

The shareholders' equity at 31 December 2017 amounts to 102,285,902 euro (92,500,060 euro at 31 December 2016). The breakdown is as follows:

12.1 Breakdown of item 120 "Capital"

Types	Amount
1. 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 by 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.

12.5 Other information

Composition and changes in Item 160 "Reserves"

	Legal	Extraordinary	Profits/losses carried forward	Guarantee fund	Others	Total
A. Opening balance	**3,200,000**	**379,543**	**46,204,848**	**8,000,000**	**1,913,704**	**59,698,095**
B. Increases	**-**	**- 0**	**6,819,870**	**-**	**-**	**6,819,870**
B.1 Allocation of profits	-	- 0	6,819,870	-	-	6,819,870
B.2 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Draw downs	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
Book Value	**3,200,000**	**379,543**	**53,024,718**	**8,000,000**	**1,913,704**	**66,517,966**

The guarantee fund was set up following the "*Provvedimento Banca d'Italia/Consob del 22/02/2008 recante la disciplina dei servizi di gestione accentrata, di liquidazione, dei sistemi di garanzia e delle relative società di gestione*" (Measure by Bank of Italy/Consob of 22 February 2008 concerning 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 fund provided by the above-mentioned measure is different from the legal reserve and is made up of provisions that have no specific allocation, including those for share premium reserve. Said provisions, which may be used also 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 transition to the IFRS, retained earnings and the guarantee Fund pursuant Article 32 of CONSOB Regulation no. 1167/98.

Following the resolutions adopted by the Shareholders' Meeting of 28 April 2017, dividends were distributed to the shareholders relating to the financial year closed on 31 December 2016.

Composition and changes in Item 170 "Valuation Reserves"

	Legal	Extraordinary	Profits/losses carried forward	Guarantee fund	Others	Total
A. Opening balance					**- 17,905**	**- 17,905**
B. Increases	**-**	**-**	**-**	**-**	**5,342**	**5,342**
B.1 Allocation of profits	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	5,342	5,342
C. Decreases	**-**	**-**	**-**	**-**	**- 19,426**	**- 19,426**
C.1 Draw downs	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	- 19,426	- 19,426
Book Value	**-**	**-**	**-**	**-**	**6,863**	**6,863**

Part C – Information concerning the Income Statement

INCOME STATEMENT

Section 1

INTEREST (items 10 and 20)

1.1 Breakdown of item 10 "Interest receivable and similar income"

	Debt securities	Loans	Other transactions	Total at 31 December 2017	Total at 31 December 2016
5. Receivables					
5.1 Bank receivables					
for other receivables (bank accounts interest)			2,027	2,027	81
5.3 Receivables to customers					
for other receivables (interest on intercompany loans)		-		-	26,639
Total	**-**	**-**	**2,027**	**2,027**	**26,720**

1.3 Breakdown of item 20 "Interest payable and similar charges"

	Loans	Securities	Other	Total at 31 December 2017	Total at 31 December 2016
1. Debts to banks					
for banking charges			11,715	11,715	10,811
2. Debts to financial institutions					
for interest payable			162,471	162,471	115,655
Totale	**-**	**-**	**174,186**	**174,186**	**126,466**

Section 2

COMMISSIONS RECEIVABLE (items 30 and 40)

2.1 Breakdown of item 30 "Commissions Receivable"

	Values at 31/12/17	Values at 31/12/16
6. Services of		
Custody and administration	56,533,108	52,064,977
Settlement	31,050,361	28,038,135
Fiscal services	2,996,852	1,371,648
Other	320,842	115,393
Total	**90,901,163**	**81,590,153**

The item “other” includes revenues for X-COM services and other revenues (ISPS service). For the purpose of ensuring comparability with the previous financial year such components have been reclassified also for the values at 31 December 2016.

2.2 Composition of item 40 “Commissions payable”

	Values at 31/12/17	Values at 31/12/16
7. Services of		
Settlement	12,601,845	8,601,873
Custody and administration	6,230,859	5,954,434
Fiscal services	504,277	340,535
Totale	**19,336,981**	**14,896,841**

This item comprises commissions payable relating to the custody and settlement services that Monte Titoli, in its capacity as central depository, pays to the foreign Central Securities Depository and to the European Central Bank for the management of securities. The introduction of T2A has caused a radical transformation of the service model as a result of which Monte Titoli buys the settlement services directly from the European Central Bank and sells them to the final customer.

For the purpose of enabling a better comparability of the financial information with the principal international financial realities operating in the sector, the decision was made in the last financial year to reconsider the previous representation mode of the negative income components linked to the cost of sales. The different service mode has in fact led to consider that the classification of the charges linked to the settlement activity among commissions payable appears to be more consistent with the exposition of the overall margins deriving from the settlement activity, which would so include both the costs sustained for using the service provided by the various CSDs and the recharging of these to the customers benefiting from such service; the same applies to the fiscal services that witnessed their application with the introduction of T2S.

This approach is considered applicable also to the custody commissions which, for the sake of processing consistency, are also included in commissions payable.

Section 8
***NET VALUE ADJUSTMENTS/WRITE-BACKS FOR IMPAIRMENT* (item 100)**

8.1 *Breakdown of item 100 "Net value adjustments/write-backs of impairment losses"*

Items/Adjustments	Adjustments		Write-backs		**Total at 31 December 2017**	**Total at 31 December 2016**
	Specific	Portfolio	Specific	Portfolio		
1. Receivables to banks						
- leasing						
- factoring						
- others	(1,259,217)				(1,259,217)	(225)
2. Receivables to financial institutions						
Purchased deteriorated loans						
- leasing						
- factoring						
- others						
Other receivables						
- leasing						
- factoring						
- others	5,235,839				5,235,839	70,903
3. Receivables to customers						
Purchased deteriorated loans						
- leasing						
- factoring						
- others						
Other receivables						
- leasing						
- factoring						
- others	(3,882,461)				(3,882,461)	(13,557)
	93,761	-	-	-	**93,761**	**57,121**

The provision to the receivable devaluation fund amounts to € 126,239 and derives from an exact analysis of individual open positions. Losses on receivables amount to € 21,594.

Section 9
ADMINISTRATIVE COSTS (item 110)

PERSONNEL COSTS (item 110 a)

9.1 Breakdown of item 110 a) "Personnel costs"

	Values at 31/12/17	Values at 31/12/16
1. Employees		
a) Wages and salaries	8,294,127	8,479,993
b) Social security contributions	2,097,428	2,188,717
d) Contributions to pension funds	304,343	78,409
e) Provision for TFR	606,903	760,185
h) Other costs	598,335	914,464
2. Other working staff	18,390	18,687
3. Members of Board of Directors and Board of Auditors	126,571	125,967
5. Recovery costs for employees seconded to other companies	(1,279,043)	(1,548,295)
6. Reimbursements for employees seconded to the Company	2,618,128	2,667,998
Total	**13,385,183**	**13,686,125**

The balance of the item "Other expenses" at 31 December 2017 amounts to € 598,335 of which € 259,552 refer to contributions to *Cassa Assistenza*, € 177,546 to redundancy costs, € 161,237 to lunch tickets and the residual amounts to other costs and minor benefits (*cral aziendale* [NoT: social club for company employees] and training courses).

It is pointed out that the items "Social Security Contributions" and "Provision for TFR" [Severance Indemnity Provision] referred to 2016 have changed to make them comparable to the items of the current financial year.

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

9.2 Average number of employees by category

Category	31/12/16	Hirings	Resignations	Promotions	31/12/17	Average
Executives	6	1	0	0	7	7
Middle Managers	72	0	(3)	3	72	72
Office staff	36	1	(3)	(3)	31	34
Total Employees	**114**	**2**	**(6)**	**0**	**110**	**112**
Secondments IN	29	0	(3)	0	26	28
Secondments OUT	(16)	1	0	0	(15)	(16)
Total Employees and Secondments	**127**	**3**	**(9)**	**0**	**121**	**124**

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, it is conventionally considered at 50%.

OTHER ADMINISTRATIVE COSTS (item 110 b)

9.3 Breakdown of item 110 b) "Other administrative costs"

	Values at 31/12/17	Values at 31/12/16
Third-parties services	17,328,571	19,259,837
Tax charges	2,230,780	1,362,849
Other costs	728,960	925,990
Hire and leasing	28,734	28,573
Consumables	41,087	32,875
Total other administrative costs	**20,358,132**	**21,610,123**

Third-parties services item includes ICT (Information Communication Technology) services costs for 12.5 million euro, consulting and professional services fees for 4.1 million euro, office operation costs for 0.5 million euro and insurance costs for 0.2 million euro.

The table below shows a breakdown of the fees for services provided by the auditing company EY S.p.A. pertaining to 2017 financial year (net of out of pocket expenses and supervision contribution and before VAT):

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

The fees shown in the table are those agreed under contract, inclusive of any indexations.

Section 10

***NET VALUE ADJUSTMENTS/WRITE-BACKS TO TANGIBLE ASSETS* (item 120)**

10.1 Breakdown of item 120 "Net value adjustments/write-backs to tangible assets"

Items / Adjustments and write-backs	Depreciation	Value adjustments due to impairment	Write-backs	**Net result**
1. Assets for functional use				
1.1 owned by the company				
a) land	-	-	-	**-**
b) buildings	-	-	-	**-**
c) furniture	-	-	-	**-**
d) operating assets	-	-	-	**-**
e) other	22,065	-	-	**22,065**
4. Assets held for sale				
4.1 buildings	-	-	-	**-**
Total	**22,065**	**-**	**-**	**22,065**

Section 11
***NET VALUE ADJUSTMENTS/WRITE-BACKS TO INTANGIBLE ASSETS* (item 130)**

11.1 Breakdown of item 130 "Net value adjustments/write-backs to intangible assets"

Items / Adjustments and write-backs	Depreciation	Value adjustments due to impairment	Write-backs	**Net result**
2. Other intangible assets				
2.1 owned by the company	9,140,348	-	-	**9,140,348**
Total	**9,140,348**	**-**	**-**	**9,140,348**

Section 14

OTHER OPERATING INCOME AND COSTS (item 160)

14.1 Breakdown of item 160 “Other operating income and charges”

This item, which amounts to 1,344,752 euro (3,070,944 euro at 31 December 2016), contains income from the recovery of sundry costs and currency exchange differences. Proceeds for the period are characterized by an amount of € 1,326,393 related to re-invoicing charged by Monte Titoli to its subsidiary globeSettle mainly for the costs borne until June 2017 for technology services and dedicated resources. The revenues of the subsidiary globeSettle are properly represented in the following section dedicated to intercompany transactions.

Section 17
INCOME TAXES FOR CURRENT OPERATIONS OF THE YEAR (item 190)

This item amounts to 9,976,211 euro and is the result of the total sum of taxes for the period:

17.1 Breakdown of item 190 “Income tax for the year”

	Values at 31/12/17	**Values at 31/12/16**
1. Current taxes	9,896,292	8,122,989
2. Changes in current taxes for previous year	(4,536)	71,490
4. Change in prepaid taxes	-	(63,669)
5. Variazione delle imposte differite	84,455	(2,457)
Total taxes for the financial year	**9,976,211**	**8,128,353**

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

17.2 Reconciliation between theoretical and actual tax charges

	Values at 31 December 2017	**Values at 31 December 2016**
Ordinary applicable rate	27.50%	27.50%
Increase/Decrease changes	-0.84%	-2.46%
	26.66%	**25.04%**

Part D – Other information

On the date of closing of these financial statements the Company had in existence a contract with SIA S.p.A. for the supply of electronic data processing services, which expired on 31 December 2017.

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

Payment agreements based on own equity instruments

Long term incentive share plan

The information required by IFRS 2 regarding share based payments or share options are reported below.

The plans awarded to employees of the Group belong to the following types:

- ***Performance Shares Plan*** has been activated for a group of executives and senior managers and consists in receiving, free of charge, shares in London Stock Exchange Group, upon satisfaction of certain Performance Conditions to be realized at the end of a three-year period (Period of performance) after the date of award.

  The Performance conditions are measured:

  - 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 rate of yield of 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 EPS growth or adjusted return per LSEG share.

- **Matching Shares Plan** has been activated for a limited group of executives and senior managers and allows this limited group to invest personal resources, within the limit of 50% of their own gross annual salary, in shares in the London Stock Exchange Group (so-called "investment shares") upon satisfaction of certain Performance Conditions to be realized at the end of a three-year period (TSR-EPS) after the date of award. The shares in the Matching Award shall be allocated definitively and transferred to the employee at the expiry of the third year of the date of award if the "investment shares" are retained by the employee and the employee is still employed by the company.

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

  - **Restricted Share Award** which provides for the award of the ordinary shares in LSEG Group to the participants if the performance conditions are realized;

  - **Share Option Award** in the form of option with fixed exercise price (this is the price that the participant must pay for taking possession of an individual share), subject to the same performance conditions as the Restricted Share Award.

  Both plans have three-year duration after the date of award.

  The Performance Conditions are measured as follows:

  - as to 50% of the awarded 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 rate of yield of LSEG shares in the maturity period calculated assuming the reinvestment of dividends on the same shares;

  - as to the 50% balance of the awarded shares: the number of shares to be awarded upon expiration of individual plans shall be determined on the basis of the positioning of the costs of the Group with respect to specific budget targets.

- **The SAYE (Save As You Earn)** provides for the award of options on shares for employees. At the time of assigning the option, the employee has the right to join a "Save As You Earn" plan managed by Yorkshire Building Society in the United Kingdom, which provides for a monthly deduction from an employee's net salary for three years starting from when the savings plan begins. The amounts paid over three years will be interest bearing. At the end of the three-year period (the "Maturity Date"), the Plan allows common stock to be purchased from the London Stock Exchange Group Plc at a determined price. If, conversely, at the end of the period, the shares have not appreciated, the employee will not be required to purchase them and may instead withdraw the entire amount, increased by any interest.

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

The overall cost at 31 December 2017 for the award of the shares and options on shares appears to be equal to € 545,124.66 inclusive of the TFR.

Below the changes are reported of LSEG shares allocated for LTIP and average weighted price for the exercise:

No. of shares	SAYE	LTIP	Total
Opening balance 01/01/2017	11,002	59,927	**70,929**
Granted shares	5,156	16,859	**22,015**
Transferred shares	(63)		**(63)**
Exercised shares	(4,290)	(21,333)	**(25,623)**
Forfeited shares	(252)		**(252)**
Lapsed shares		(2,244)	
Closing Balance 31/12/17	**11,553**	**53,209**	**67,006**

The fair value of the LTIP shares allocated during the period was determined using a probability evaluation model. The principal evaluation assumptions used in the model are as follows:

The fair value of the shares and of the options assigned during the year was determined using a model of stochastic valuation.
The key assumptions used in the valuation are the following:

	SAYE	**LSEG LTIP**					**LSEG LTIP**	
	Sharesave Plan	**Performance Shares**					**Matching Shares**	
Date of grant	05-Oct-17	03-Apr-17	10-Apr-17	18-Aug-17	07-Sep-17	17-Nov-17	10-Apr-17	17-Nov-17
Price of LSE shares at grant date	£ 38.75	£ 31.91	£ 32.37	£ 39.44	£ 38.46	£ 38.46	£ 32.27	£ 38.46
Expected Life	3.33 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Exercise price	£ 31.11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	0,90%	1.35%	1.34%	1.16%	1.19%	1.19%	1.34%	1.19%
Risk free interest rate	1.00%	0.16%	0.16%	0.27%	0.19%	0.58%	0.16%	0.58%
Expected volatility	25.50%	25.60%	25.50%	26.10%	26.00%	25.70%	25.50%	25.70%
Fair value	£ 10.21	-	-	-	-	-	-	-
Fair value - TSR	n.a.	£ 11.87	£ 12.29	£ 15.71	£ 13.91	£ 14.12	£ 12.29	£ 14.12
Fair value - EPS	n.a.	£ 30.64	£ 31.00	£ 38.09	£ 37.11	£ 37.11	£ 31.00	£ 37.11

IFRS 2 – paragraphs 46 and 47

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

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

(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 riskfree 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 was calculated by analysing weekly LSEG share price since its listing in July 2001. The fair value of the shares awarded during the period takes into account the vesting conditions linked to TSR. The employees who are awarded shares linked to the LTIP do not have the right to receive dividends declared by LSE during the vesting period.

Information on transactions with related parties and with companies members of the Group

Here below the breakdown is reported of transactions of "non atypical nature" that have taken place with related parties, as well as the equity balances at 31 December 2017 existing with these:

Borsa Italiana S.p.A.

	Revenues	Receivables
Services fee	6,258,844	5,342,405
Capitalization Software	-	173,102
Refund claim	-	195,701
	Costs	**Payables**
Services of third parties (IT and consulting)	1,660,177	198,777
Amortization	64,913	-
Personnel seconded	1,160,830	358,312

Cassa di Compensazione e Garanzia S.p.A.

	Revenues	Receivables
Services fee and settlement fee	3,873,339	306,666
Personnel seconded	28,605	10,117
Other management fees	5,000	
	Costs	**Payables**
Services of third parties (IT)	107,360	2,762
Other payables	-	6,866

Bit Market Services S.p.A.

	Revenues	Receivables
Services fee	10,614	-
	Costs	**Payables**
Services of third parties (IT)	49,313	-

EuroTLX SIM S.p.A.

	Revenues	Receivables
Settlement fee	190,408	124,078
	Costs	**Payables**
Personnel seconded	206,860	31,790

MTS S.p.A.

	Revenues	Receivables
Services fee and settlement fee	166,074	147,287

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

	Revenues	Receivables
Receivables for refund	-	288,488
	Costs	**Payables**
Services of third parties (rental, operations, consulting)	1,502,835	-
Receivables IRES for tax consolidation	-	1,250,838

LSE Plc

	Revenues	Receivables
Other receivables	-	31,386
Capitalization Software		4,188
	Costs	**Payables**
Services of third parties	186,520	157,474

LSEG Business Serices Ltd

	Revenues	Receivables
Capitalization Software		981
	Costs	**Payables**
Services of third parties	190,698	191,665

LSE Group plc

	Costs	Payables
Insurances	120,810	82,979
Services of third parties (managment fee)	226,380	866,936
Other receivables		652,722
Fund for acquisition of shares of the legal parent	-	1,406,166

GLOBESETTLE S.A.

	Revenues	Receivables
Service fees and of re-debit of costs	1,329,164	-

LCH Clearnet Ltd

	Revenues	Receivables
Services fee and settlement fee	155,822	11,244

LCH Clearnet S.A.

	Revenues	Receivables
Services fee and settlement fee	790,033	214,028

Relations within companies in the Group are managed on contractual basis at prices in line with the market.

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

In accordance with IAS 24 the remunerations amounts for the period ended at 31 December 2017 to the members of the Board of Directors, Auditors and Key managers of the Company are as follow:

Board Members and Key Managers	1,059,699
Auditors	71,600

With regard to executives with strategic responsibilities, the payment categories are detailed below:

a. Short-term employee benefits	710,372
b. Post-employment benefits	25,247
c. Other long-term benefits	-
d. Severance benefits	71,170
e. Share based payments	198,910
Total	**1,005,699**

Share based payments

Plan	Number of Shares	Assignment date
	7,363	3 April 2017
London Stock Exchange Performance Share Award	7,436	17 March 201
London Stock Exchange Performance Share Award	8,131	2 April 2015
London Stock Exchange SAYE	382	5 May 2015
London Stock Exchange Performance share award	11,529	30 September 2014
Total	**34,841**	

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

MANAGEMENT AND COORDINATION

It is noted that as at 31 December 2017, the Company is subject to the management and coordination of London Stock Exchange Group Holdings italia S.p.A..

The highlights of the parent London Stock Exchange Group Holdings Italy SpA shown in the summary statement required by Article 2497-bis of the Italian Civil Code have been extracted from the financial statements for the year ended 31 December 2016. For an adequate and complete understanding of equity and financial situation of the London Stock Exchange Group Holdings SpA Italy at 31 December 2016, and profit or loss reported by the company during the year ended on that date, please refer to the financial statements which, together with the report of the independent auditors, is available in the form and manner prescribed by law.

Pursuant to Article 2497-bis of the Italian Civil Code, we report, below, the basic details of the financial statements of the parent London Stock Exchange Group Holdings SpA Italy.

EQUITY AND FINANCIAL POSITION AT 31 DECEMBER 2016

(amounts in Euro/000)	**31/12/2016**
Assets	
Noncurrent assets	1,440,273
Current assets	9,938
TOTAL ASSETS	**1,450,211**
Liabilities	
Noncurrent liabilities	243,811
Current liabilities	96,282
TOTAL LIABILITIES	**340,094**
NET ASSETS	**1,110,118**
Shareholders' Equity	
Capital and reserves of the Group	
Share capital	350,000
Reserves	675,260
Profits/(losses) of the financial year	84,857
TOTAL SHAREHOLDERS' EQUITY	**1,110,118**

OVERALL INCOME STATEMENT AT 31 DECEMBER 2016

(amounts in Euro/000)	**31/12/2016**
Income	104,876
Other income and proceeds	0
TOTAL INCOME	**104,876**
Costs for personnel	1,412
Costs for services	11,364
Amortizations and depreciations	936
Operating costs	212
TOTAL OPERATING COSTS	**13,924**
Financial income	10
Financial costs	8,828
Other financial income	
Result before taxes	**82,135**
Taxes	2,722
Net result	**84,857**
Other components having an impact on shareholders' Equity	3
Overall net result	**84,860**

FINANCIAL STATEMENTS APPROVAL

The proposed Financial Statements have been approved by the Board of directors on 20 March 2018 and have been authorized for publication on the same date (IAS 10).

Centralised management accounts

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

	31 December 2017	**31 December 2016**
Financial instruments in the vault	19,246,156,893	15,315,892,041
Dematerialised financial instruments including foreign securities managed as CSD Investor	2,680,325,856,219	2,744,127,407,205
Total	**2,699,572,013,111**	**2,759,443,299,245**

Security Planning Document

Pursuant to the law, the Company has updated the security planning document on security, including regulations for the identification of the minimum security measures for the processing of personal data, in compliance with Article. 34, paragraph 1, letter g) of the personal data Code (approved with legislative decree 30 June 2003) and the rule 19 of the Annex B to the same Code.

Management of Risks

For a review concerning the considerations on the risks, reference is made to the appropriate paragraphs contained in the part of the "Report on Operations".

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At 31 December 2017, these financial statements represent the financial and equity situation and the economic result on the aforementioned date in a truthful and correct manner.

Milan, 20 March 2018

On behalf of the Board of Directors
The Chairman
Dr. Paolo Cittadini

SCHEDULES

Table of the Analysis of the breakdown of items in shareholders' equity at 31 December 2017

Nature/description	Amaunt	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, co. 1 CONSOB regulation No. 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:					
- buildings revaluation	-	A, B, C	-		
- revaluation of TFR	6,863	E	-		
Profits brought forward	72,785,792	A, B, C	72,785,792		
Reserve from transition to IFRS	507,538	A, B, C	507,538		
Provision for the purchase of shares in the Parent Company	1,406,166	E	-		
Total	**102,285,902**		**73,672,873**		
of which non-distributable			-		
of which residual distributable portion			73,672,873		

STATEMENT OF MOVEMENTS OCCURRED IN TANGIBLE AND INTANGIBLE ASSETS

TANGIBLE ASSETS

Net value	Balance at 01.01.17	Increases	Amortization	Decreases	Balance at 31.12.17
Land	0	0	-	0	0
Buildings	0	0	-	0	0
Furniture	0	0	-	0	0
Plants and systems	0	0	-	0	0
Other	26,409	0	(22,065)	0	4,344
Pending acquisition of tangible assets and payments on account	49,945	0	-	0	49,945
Total	**76,354**	**0**	**(22,065)**	**0**	**54,289**

Depreciation funds	Balance at 01.01.17	Depreciation	Decreases	Balance at 31.12.17
Land	0	0	0	0
Buildings	0	0	0	0
Furniture	0	0	0	0
Plants	0	0	0	0
Other	430,719	22,065	0	452,784
Total	**430,719**	**22,065**	0	**452,784**

Historical cost	Balance at 01.01.17	Increases	Decreases	Balance at 31.12.17
Land	0	0	0	0
Buildings	0	0	0	0
Furniture	0	0	0	0
Plants	0	0	0	0
Other	457,128	0	0	457,128
Pending acquisition of tangible assets and payments on account	49,945	0	0	49,945
Total	**507,073**	**0**	0	**507,073**

INTANGIBLE ASSETS

Net value	Balance at 01.01.17	Increases	Amortization	Decreases	Balance at 31.12.17
Costs of formation and expansion	-	-	-		-
Franchises, licenses, similar rights	103,253	-	- 88,822	-	14,430
Other intangible assets	25,356,816	4,599,122	- 9,051,525	-	20,904,413
Pending acquisition of intangible assets and payments on account	10,125,620	169,659	-	- 9,321,813	973,466
Total	**35,585,688**	**4,768,781**	**- 9,140,348**	**- 9,321,813**	**21,892,309**

Amortization funds	Balance at 01.01.17	Depreciation	Decreases	Balance at 31.12.17
Costs of formation and expansion	1,006,330	-	-	1,006,330
Franchises, licenses, similar rights	4,219,912	88,822	-	4,308,735
Other intangible assets	29,691,837	9,051,525	-	38,743,362
Total	**34,918,079**	**9,140,348**	**-**	**44,058,426**

Historical cost	Balance at 01.01.17	Increases	Riclassification	Decreases	Balance at 31.12.17
Costs of formation and expansion	1,006,330	-		-	1,006,330
Franchises, licenses, similar rights	4,323,166	-		-	4,323,166
Other intangible assets	55,048,652	-	4,599,122	-	59,647,774
Pending acquisition of intangible assets and payments on account	10,125,620	4,768,781	- 4,599,122	- 9,321,813	973,466
Total	**70,503,768**	**4,768,781**		**- 9,321,813**	**65,950,736**

MONTE TITOLI S.p.A.

Head Office: Milan – Piazza degli Affari n.6

Share Capital: € 16,000,000

Fiscal code and VAT no. 03638780159

– Milan Register of Companies

Subject to the direction and coordination activity of London Stock Exchange

Group Holdings Italia S.p.A.

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INTERNAL STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS

GENERAL MEETING FOR THE FINANCIAL STATEMENTS APPROVAL

AT 31st December 2017 ACCORDING TO ART. 2429 PARAGHAPH 2° CIVIL CODE

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Introduction

During the financial year ended 31 December 2017, the Board of Statutory Auditors carried out the functions envisaged by articles 2403 et seq. of the Italian Civil Code. The legal 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, risks 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 size and problems relating to the company, 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 organisation, the IT systems and human resources used are adequate in relation to the current corporate structure.

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 result for the financial year;
- on the activities carried out to comply with the duties stipulated by legislation;
- on the remarks and proposals referring to 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 in the Company and with the Auditors were based on reciprocal collaboration with regard to the roles each is assigned, with the Statutory Auditors Board's role duly clarified.
It was noted that the level of technical expertise of internal administrative staff responsible for recording management events was adequate in relation to ordinary corporate events, and they can be deemed to have sufficient knowledge regarding corporate problems.
In the month of September the Internal Control and Legal Audit Committee provided to the establishment of an Audit Committee, as required by art.48 of Delegated Regulation UE n.392/2017 and approved the Regulation governing the activities of the Committee itself. The Audit Committee will be formally operating as from the authorization pursuant to the European Regulation for Central Securities Depository (Central Securities Depository Regulation – CSD-R).
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 in turn is indirectly controlled by the London Stock Exchange Group Pie.
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 taken by the Shareholders' Meetings and the Board of Directors are compliant with legislation and the by-laws and were not manifestly imprudent or such that they could definitively compromise the integrity of corporate assets;
- sufficient information was acquired regarding general performance and the foreseeable outlook, as well as on the more significant transactions in terms of size or characteristics that were carried out by the Company;
- the transactions put in place were similarly compliant with legislation and the by-laws and did not potentially conflict with resolutions taken by the Shareholders' Meetings or were such that they could compromise the integrity of corporate assets;
- there are no specific remarks to be make regarding the adequacy of the organisational structure of the Company, or the adequacy of the administrative and accounting systems, nor on the reliability of the latter in providing a correct representation of management events;
- during the monitoring activities outlined above, no additional significant facts emerged that would require mentioning 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 in terms of Art. 2408 of the Italian Civil Code;
- no complaints were made in terms of Art. 2409, paragraph 7 of the Italian Civil Code;
- no opinions required by law were issued during the year.

Remarks and proposals referring to the financial statements and their approval

- The draft financial statements for the years ending 31 December 2017 were approved by the Board of Directors and prepared according to 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 irrespective of the deadline set by Art. 2429, paragraph 1 of the Italian Civil Code.

- The legal audit is entrusted to the auditing firm EY S.p.A., which has prepared its own report pursuant to Art. 14 of Legislative Decree No. 39 of 27 January 2010. The Report was sent on 2 April 2018, and does not record any findings for significant discrepancies, or negative opinions or state that it is not possible to express an opinion or requires additional information. The opinion issued is positive and confirms that the financial statements for the period ended 31 December 2017 comply with the International Financial Reporting Standards adopted by the European Union.
- The draft financial statements were examined, and the following additional information is provided in this regard:
- attention was given to the layout of the draft financial statements, their general compliance with the law regarding the format and structure, and in this respect, there are no remarks that require mention in this report;
- the notes to the financial statements adequately outline the transactions with related parties, providing the main economic-financial disclosures;
- a check was done on compliance with the law regarding the preparation of the Report on Operations, and in this respect, there are no remarks that require mention in this report;
- a check was done on whether the financial statements were consistent with events and the information available to the Board of Statutory Auditors in discharging its core duties, and in this respect, there are no additional comments to make.

Result for the financial year

The net result confirmed by the Board of Directors relating to the year ending 31 December 2017 is positive for € 45,285,966.

Conclusions

Based on the above and with regard to what the Board of Statutory Auditors was informed of and found from its periodic checking, it is unanimously believed that there are no reasons to impede your approval of the draft financial statements for the period ended 31 December 2017, as prepared and submitted for your approval by the Board of Directors.

Milan, 03 April 2018

Chairman

(Roberto Ruozi)

Effective Statutory Auditor

(Giuseppe Levi)

Effective Statutory Auditor

(Arturo Sanguinetti)

Monte Titoli S.p.A.

Financial statements as at 31 December 2017

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

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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 balance sheet as at 31 December 2017, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and the explanatory notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

EY S.p.A.
Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale deliberato Euro 3.250.000,00, sottoscritto e versato Euro 3.100.000,00 i.v.
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Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

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 modify 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 2017, 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 2017 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 2017 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, 2 April 2018

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

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