



FLOW ■ TRADERS

Half Year Report 2020

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Flow Traders at a Glance

FIRST TWO QUARTERS 2020 BY NUMBERS

Global ETP value traded
(€bn)

First six months 2020

20,143

First six months 2019: 11,934

Flow Traders ETP value
traded (€bn)

First six months 2020

820

First six months 2019: 494

Net Trading Income (NTI)
(€m)

First six months 2020

724.8

First six months 2019: 117.0

Net Profit (€m)

First six months 2020

375.3

First six months 2019: 33.0

FTEs

as per 30 June 2020

502

31 December 2019: 513

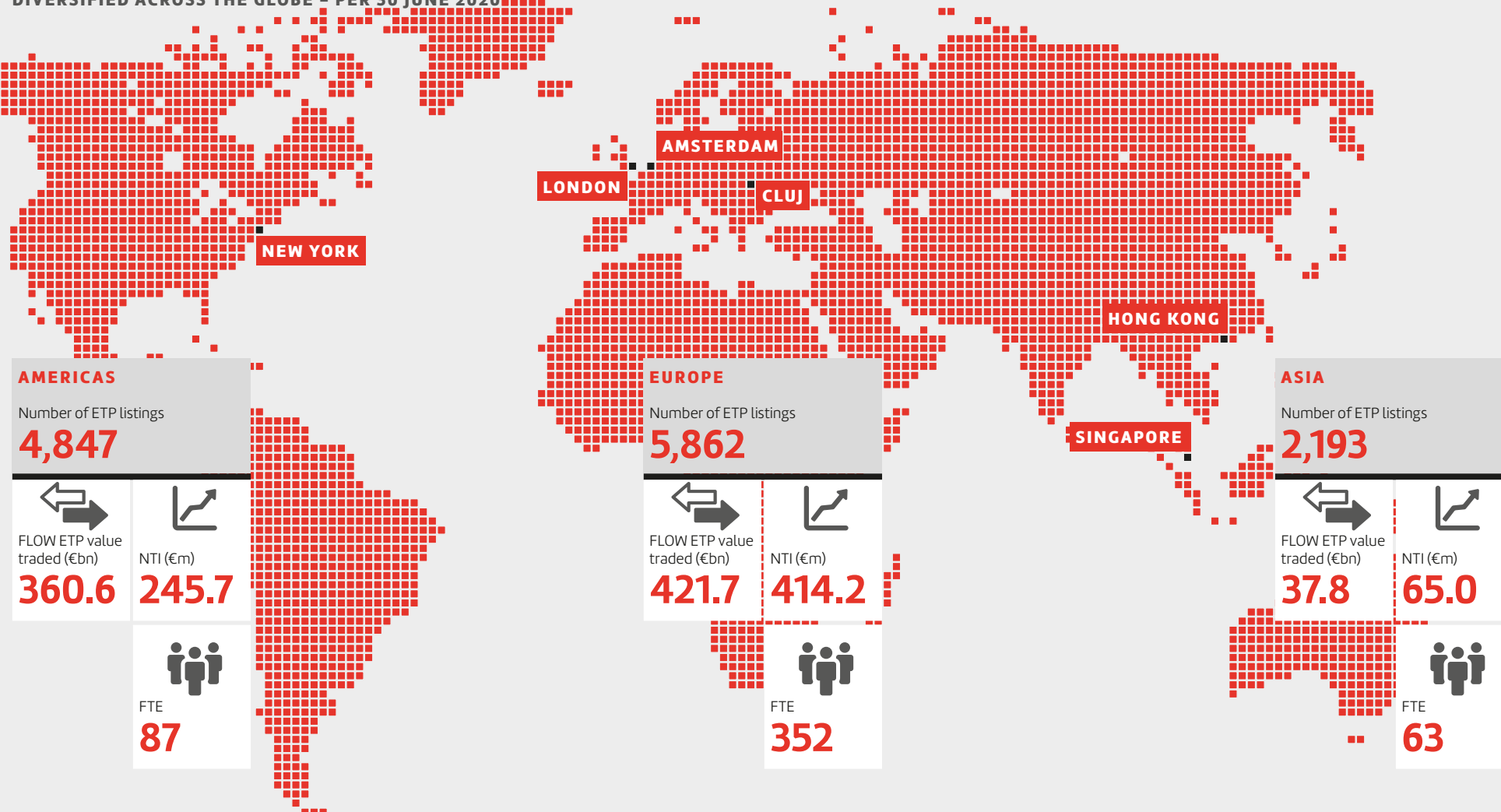
Interim dividend
(€)

4.00

Interim dividend 2019: 0.35

Flow Traders at a Glance

DIVERSIFIED ACROSS THE GLOBE – PER 30 JUNE 2020



Our Business

We provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs). ETPs are baskets of securities made up of shares, bonds, commodities or alternative products. ETPs often track indices and, unlike most mutual funds, can be traded throughout the day on trading venues. We do this globally, enabling investors to buy and sell ETPs efficiently by quoting bid and ask prices under virtually all market circumstances. We help financial markets function in an orderly manner. In 2020 we continued our work to further diversify our market making activities into Foreign Exchange (FX) and Fixed Income. The modularity of our Trading infrastructure allows for efficient leverage on our trading capabilities in all financial products and not only ETPs.

Markets & Trends

Our business

During the first half of 2020, we had access to more than 180 trading venues in over 40 countries around the world.

We provide liquidity in over 7,900 ETP listings on- and off-exchange, which is over 60 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to over 1,400 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others and this number is increasing on an almost daily basis.

In addition to ETPs we provide liquidity in similar instruments whose value is correspondingly affected by a change in the value of underlying or related assets, such as futures or bonds.

Despite the strong operational focus required so far in 2020, progress has also been made in driving forward our strategic plan in terms of expanding our global ETP footprint as well enhancing coverage of fixed income, currencies and cryptocurrency.

Irrespective of what we trade, as a liquidity provider we generally do not have a directional opinion on the market. In other words, our results do not depend on the direction of market prices. Our Net Trading Income (NTI) is realized through the small price differences that are realized between buying and selling related or correlating assets.

Whether that is between the ETPs we buy or sell, and the prices we pay or receive for the underlying or related financial instruments to mitigate our risk, or trading FX pairs.

The ETP market

The popularity of ETPs has continued to grow in recent years. According to asset manager BlackRock, global ETP Assets under Management (AuM) reduced from €5,616 billion at the end of 2019 to €4,801 billion by the end of Q1 2020. Despite this reduction, the overall growth in ETP AuM is expected to continue, as investors continue to invest in low-cost, transparent and easy-to-trade passive investment strategies. This contributes to the long-term value creation of Flow Traders' strategy.

We believe there are a number of reasons for this trend to continue, including beyond 2020: one is that investors are attracted to the transparent nature of ETPs, which enables them to follow clearly how the underlying securities are performing. Another reason is that ETPs are liquid and available at low-cost and can be bought and sold easily during market hours. A third reason is that ETPs can be composed of financial instruments from almost any asset class, sector or location, giving investors access to markets that would normally be difficult to reach. A fourth reason is that the ETP ecosystem performed as intended during the market stresses experienced in the first half of 2020 which has only increased its attractiveness to investors.

Market environment

With the onset of the COVID-19 pandemic, the ETP market experienced increased levels of market activity as well as heightened volatility throughout the first half of 2020. This was particularly evident in March with truly exceptional market circumstances in terms of ETP value traded and extremely elevated volatility levels. Flow Traders also facilitated an increased amount of trading in Fixed Income ETFs as well as Environmental, Social and Governance (ESG) ETFs.

Given this market backdrop and our leading global ETP trading footprint, Flow Traders ETP value traded (on-exchange and off-exchange) grew substantially to €820 billion (H1 2019: €494 billion). Meanwhile, ETP market value traded (on-exchange and off-exchange) also increased markedly during the same period to €20,143 billion (H1 2019: €11,934 billion).

The United States is still the largest ETP market, where total ETP value traded was €17,314 billion in the first six months of 2020 (H1 2019: €10,283 billion). Our New York office's total ETP value traded was €361 billion in the first six months of 2020 (H1 2019: €226 billion), a significant difference versus 2019. As institutional trading gained further momentum in 2020, Flow Traders US continued to grow its overall presence.

In EMEA, the total market ETP value traded of €1,159 billion in the first six months of 2020 (H1 2019: €710 billion). Our total ETP value traded from our Europe offices was €422 billion (H1 2019: €250 billion). Flow Traders remained the number one liquidity provider in ETPs in EMEA.

In APAC, the ETP market remained fragmented, with large differences in trading volumes, trading costs, regulation and maturity across the financial markets. Volumes traded in the APAC region remained dominated by the top-10 most traded ETP products, as those 10 determine roughly 55 percent to 65 percent of the total market volumes. The total ETP value traded was €1,669 billion in the first six months of 2020 (H1 2019: €941 billion), including China, while the total ETP value traded at our APAC offices was €38 billion (H1 2019: €18 billion). Flow Traders had a successful first half of 2020 in APAC in terms of trading volumes, confirming the contribution of recent investments made in the region.

Financial Overview

The exceptional market environment experienced in the first six months of 2020 along with Flow Traders' own pricing, hedging and risk management capabilities

translated into Net Trading Income (NTI) of €724.8 million (H1 2019: €117.0 million) – a record half for Flow Traders by some distance. We saw clear outperformance in all regions and across all asset classes as the levels of market activity were broad based in nature. Europe, our home market, contributed the most to our NTI which reflects that region's high level of flow visibility and counterparty and product coverage. There was also significant contributions from the US and APAC. In this half, we were able to successfully leverage the recent investments made in the US and in fixed income.

On the cost side, we maintained a firm discipline on costs with fixed operating expenses amounting to €54.7 million in the first six months of 2020 (H1 2019: €47.3 million). The main drivers of the increase in fixed expenses were technology investments to support diversification initiatives



and efficiency improvements as well as new hires. There was also €1.5 million of additional one-off expenses in H1 2020 relating to the activation of the business continuity plan. Variable compensation has increased to €205.8 million which reflects the overall financial performance of the business during the first half.

Given these income and cost dynamics, Flow Traders demonstrated strong operational leverage with an EBITDA margin of 64% (H1 2019: 41%) and EBITDA of €464.3 million (H1 2019: €47.7 million). Ultimately, we recorded a Net Profit for H1 2020 of €375.3 million (H1 2019: €33.0 million) with an EPS of €8.25 (H1 2019: €0.71). The interim FY20 dividend has been set at €4.00 per share (interim FY19 dividend: €0.35).

From a capital perspective, our own funds requirement increased to €201 million as at 30 June 2020 compared to €150 million as at 31 December 2019. This is due to the increased level of trading activity as well as elevated levels of market and operational risk given the market circumstances. Overall, we maintained a strong capital position with €255 million of excess capital at the end of the half.

Our Response to COVID-19

First and foremost, Flow Traders has been able to continuously provide liquidity and pricing to the ETP markets on a global basis during the pandemic. Our overall response has focused on three main areas – (1) People (2) Issuers, Investors & Counterparties which also includes prime brokers and the exchanges and (3) Communities.

With regards to People, we successfully activated the business continuity plan with the primary focus being the health and well being of our employees and their families.

Employees have adapted really well to the changing working environment. We have split teams and have activated back-up trading locations in Amsterdam, New York and Hong Kong. We have also continued to hire selectively and have paid all salaries without recourse to government support programmes.

From an issuers, investors and counterparties perspective, we continuously provided liquidity and pricing despite extraordinary and challenging market circumstances. Indeed these market participants were reassured by our continuous presence when markets were under pressure

which has enabled them to trade in all circumstances and when liquidity is most sought after. Market infrastructure, as well as our own, held up throughout this period with no outages. Lastly, we committed to paying our FY19 interim dividend in May 2020.

In these unprecedented times, we feel that it is more important than ever to continue to contribute to society's health and well-being globally. To continue giving to our communities, we have established the Flow Traders Foundation and have accelerated and increased the annual charitable contributions.



Giving Back to Society

Here at Flow Traders we believe it is important for us to back initiatives that contribute to society. We've done so for many years – through the firm and through our colleagues' personal efforts. We support a number of charities, not only financially but also by offering access to our knowledge and experience. Our people are enthusiastic about supporting charitable initiatives, which has always been part of our working culture. In these unprecedented times, we feel that it is more important than ever to continue to contribute to society's health and well-being globally.

Charitable Donations

Flow Traders accelerated and increased the annual charitable employee contributions. All employees were able to contribute €5,000 each to charitable initiatives related to the COVID-19 pandemic. A total consideration of c. €2.5 million was donated to, amongst others, Erasmus MC, Voedselbank, VentilatorPAL, The Courage Fund, The Community Chest, Give2Asia Foundation and Mount Sinai.

Flow Traders Foundation

The Flow Traders Foundation was established on 28 April 2020. The foundation aims to provide assistance to people in need of help for the purpose of their well-being and/or prosperity and all matters related or conducive to the above, with the objectives to be given their most expansive possible interpretation. The Foundation will achieve this by, but not limited to, providing direct aid (goods), granting microcredits, providing information and or/financial means. We are delighted that Sjoerd Rietberg, former Co-CEO, has agreed to serve as chairman of the board. The other members of the board comprise our two founders, Jan van Kuijk (treasurer) and Roger Hodenius (secretary).



Our Risk Management

Flow Traders' Risk Management Framework (RMF) forms the foundation of our approach to managing risks. The framework is documented in Flow Traders' Risk Management Policy and is reviewed annually by our Management Board.

Where possible, we identify, assess, monitor, quantify and document possible risks which are inherent to trading in an automated environment. In the very dynamic environment of automated trading we designed our RMF in such a way that it is robust, efficient and transparent. In the figure below we summarize our stakeholders to which we are obliged to deliver such a framework.

The RMF helps us to ensure sufficient internal control and (internal) capital through a consistent, continuous and careful method for addressing, managing and prioritizing our key risks in the context of our enterprise-wide strategic objectives.

Enterprise Risk Management

We aim for a good balance between our business activities, return on capital and related risks. Flow Traders' Risk Management adopts its Enterprise Risk Management (ERM) approach to ensure that our risk appetite and profile are integrated in our day-to-day operations and strategic, tactical and operational objective setting and decision making.

Our ERM activities follow the annual cycle. Every year our Management Board sets its business targets following the strategic goals. Based on the targets and objectives, the Management Board formulates its risk appetite. The targets, objectives and risk appetite give direction to the various departments within the company and are used to derive our strategic risks.

We implement our Risk Management cycle to ensure that the residual risk profile is (and remains) in line with the set risk appetite. To achieve this, we perform risk (self-) assessments (RSA) to identify and assess current and newly arisen risks. Following the RSAs, the Management Board decides on the appropriate risk response.

Risk categories

We identify three general risk categories – Strategic risks, Operational risks and Financial risks – each with their own specific risks areas:

Risk category	Context
STRATEGIC RISKS	
Business and Strategic risk	This concerns risk related to our strategy, business model and market conditions. Market activity risk is part of this risk as our NTI and profitability are primarily a function of the level of trading activity, or trading volumes, in the financial instruments in which we trade.
Compliance and regulatory risk	Compliance risk is the threat posed to a company's earnings or capital as a result of violation or non-conformance with laws, regulations, or prescribed practices. It also concerns the risk of changing laws and regulations (regulatory risk). In addition, it includes the risk that the integrity of the organization or its operations is jeopardized as a result of unethical behavior of the organization, its staff members or management.
Concentration risk	Probability of loss arising from heavily lopsided exposure to a particular group of counterparties or products. Concentration risk also includes supplier dependency risks.
Legal risk	The legal risk is the risk of loss resulting from a claim, failure to adhere to legally binding agreements and requirements, or failure to adequately legally protect assets of the firm.
Reputation risk	The reputation risk is the risk of loss resulting from negative exposure to stakeholders.
OPERATIONAL RISKS	
IT risk	The IT risk concerns the risk of loss resulting from inadequate information technology and processing in terms of availability, manageability, integrity, controllability and continuity, insufficient protection, or inadequate IT strategy and policy or inadequate use.
IT security risk	This concerns risks relating to access management, cybersecurity and data integrity risks.
Operational risk	The operational risk is the risk of loss resulting from inadequate or failed internal processes and people or from external events. The main driver of operational risk is human error.
FINANCIAL RISKS	
Liquidity risk	Liquidity risk is the risk that there is not sufficient trading capital or regulatory capital available.
Market risk	Market risk is the risk to an institution resulting from movements in market prices; in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices.
Credit risk	Credit risk is the risk of a counterparty and/or issuing institution involved in trading in or issuing a financial instrument defaulting on an obligation.

Risk Management Governance

The effectiveness of risk management is unavoidably linked to commitment and integrity. It is therefore crucial that the Management Board, global and local department heads, and all Flow Traders employees are aware of the company's risk exposure and their own responsibilities, as well as the responsibilities of Flow Traders as a whole.

Our risk management is embedded in the organization in line with the three lines of defense model.

The first line of defense is formed by Trading and Technology. These two departments are crucial for the core processes within Flow Traders and are responsible for incorporating preventive and detective controls in the day-to-day trading and IT processes and for the continuous monitoring of our systems and trading controls.

The second line of defense is responsible for oversight and monitoring regarding risks, rules and requirements. The Risk and Mid-Office and Trading Compliance departments monitor and manage most of the preventive controls, Regulatory Compliance and Finance monitor and manage primarily detective controls. Together, they are responsible for the continuous risk management of Flow Traders.

The third line of defense is formed by our Internal Audit department. In addition, we have an external auditor and we are audited by regulators.

Enterprise Risk Management roles and responsibilities

The role of the Risk Committee of the Supervisory Board is to:

- Supervise the Management Board with respect to:
 - Identifying and analysing the risks associated with the strategy and activities of the company and its affiliated enterprise;
 - Establishing the risk appetite, and putting in place the measures in order to counter the risks being taken;
 - Designing, implementing and maintaining adequate internal risk management and control systems;
 - Monitoring the operation of the internal risk management and control systems and carrying out a systematic assessment of their design and effectiveness at least once a year. Where necessary, improvements should be made to internal risk management and control systems;
 - Accounting for the effectiveness of the design and the operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 of the Dutch Corporate Governance Code together with the Audit Committee.
- Advise, and where applicable supervise, the Management Board with respect to:
 - the company's overall risk appetite, tolerance and strategy;
 - the current risk exposures and future risk strategy;
 - the appointment of the Chief Risk Officer.

- Review, in relation to the company's internal risk management and control systems:
 - the company's overall risk assessment processes that inform the Management Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - on an annual basis, the parameters used for these processes and the methodology adopted;
 - the accurate and timely monitoring of certain risk types of high importance;
 - the company's capability to identify and manage new risk types;
 - reports on any material breaches of risk limits and the adequacy of proposed action.
- Monitor the manner in which the company's risk management function is provided with adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Risk Committee shall also keep under review that the function has the adequate independence and is free from management and other restrictions;
- Prepare reports, recommendations and deliberations on its findings regarding the company's internal risk management for purposes of the meetings of the Supervisory Board or the Audit Committee;
- Review, and where applicable monitor, the Management Board's responsiveness to the reports, findings and recommendations of the Chief Risk Officer.

The Management Board is responsible for:

- Setting companywide objectives;
 - Setting boundaries for risk taking by communicating our risk appetite;
 - Successfully promoting, sponsoring and coordinating the development of a risk management culture throughout the company;
 - Guiding the inclusion of risk management practices in all strategic and operational decision making;
 - Maintaining and monitoring the effectiveness of the framework to manage, monitor and report risk;
 - Identifying and evaluating the significant risks related to Flow Traders' strategy;
 - Discussing current risk developments with the standing risk committee of the Management Board.
- The Management Board invites stakeholders within the firm to report on new and existing risk exposures;
- Reporting on the outcomes of the risk management activities to the Risk Committee of the Supervisory Board.

Flow Traders Managing Directors are responsible for:

- Setting local department targets and objectives in line with companywide objectives;
- Supporting the company in the identification, handling, monitoring of risks related to its objectives;
- Identifying and evaluating the significant risks related to our objectives and operations;
- Managing the risk self-assessment cycle (non-trading Managing Directors);
- Monitoring of risks related to our objectives;
- Providing advice and follow-up on risk mitigating measures;
- Reporting on risks and risk management towards the Management Board.

Flow Traders Local Heads are responsible for:

- Setting global/local department targets and objectives in line with companywide objectives;
- Performing annual risk self-assessments to identify assess and document existing and new risks and their impact on proposed plans;
- The adoption of risk management practices;
- Awareness and training on risk management;
- The results of risk management activities, relevant to their area of responsibility;
- Reporting on risks and risk management towards the Risk and Mid-Office Department, the local Managing Directors and/or the Chief Risk Officer.

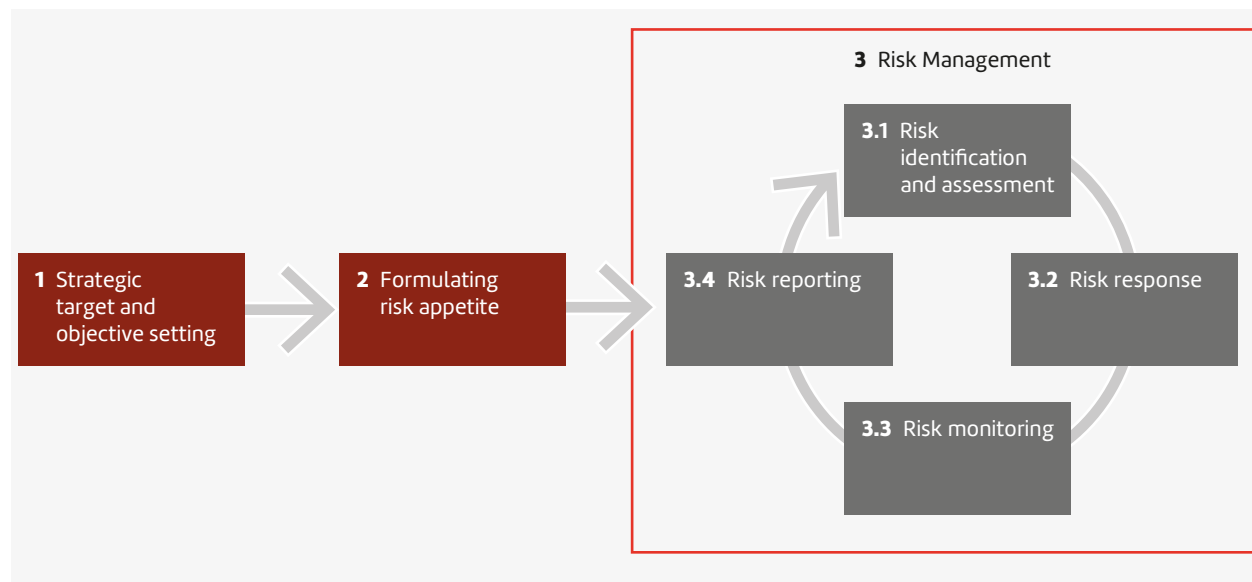
Flow Traders Risk and Mid-Office Department is responsible for:

- Monitoring, improving and controlling the ERM;
- Triggering risk self-assessments for all departments;
- Gathering the necessary information and creating risk reports for internal stakeholders and the Management Board.

Flow Traders employees are responsible for:

- Giving input to annual risk self-assessments to identify, assess and document existing and new risks and their impact on proposed plans;
- Identifying areas where risk management practices should be adopted and are to advise their supervisors accordingly.

The figure on the right shows the ERM cycle of Flow Traders:



Flow Traders' Enterprise Risk Management cycle.

The annual risk management cycle follows the below risk management framework:

Every year the Management Board sets its business targets following the strategic goals. The strategic goals are generally formulated in November/December. The Supervisory Board, together with the Management Board, approves the strategic goals and business targets. Additionally, the Supervisory Board is part of the strategy setting exercise. Based on these long-term goals, short-term targets are determined. These targets are then translated into annual companywide, departmental and individual goals and discussed in an annual meeting with the Management Board and all Managing Directors.

Based on the targets and objectives, the Management Board formulates the risk appetite of the company.

The targets, objectives and risk appetite give direction to the various departments within Flow Traders and are used to derive the company's strategic risks.

Flow Traders' Risk Management cycle is implemented to ensure that the net risk profile is and stays in line with the set risk appetite. To do so, we perform RSAs to identify and assess current and newly arisen risks and compliance with applicable requirements. Following the RSAs, department heads in cooperation with the Management Board will decide on the appropriate risk response. The effects of the chosen risk responses will be monitored and every year the actual net risk profile will be mapped versus the appetite.

Risk reporting

We have a standing risk committee that continuously assesses the risks we face in our business, comprised of the Management Board. Aside from ongoing ad-hoc communication, there is a recurring meeting set up in which they discuss all risk assessments and risk proposals related to position limits, strategies, procedures, capital requirements and other requirements of prime brokers and market developments. Any major changes to our risk systems, strategies and limit setting must subsequently be approved by the Management Board. There have not been any major failings in the internal risk management and control systems observed during 2020. Additionally, improvements to the systems are discussed with the Management Board.

In addition to the standing risk committee, the company has a Risk Committee of the Supervisory Board. All members of the Supervisory Board are members of this Risk Committee. The Management Board informs the Risk Committee of the Supervisory Board about the effectiveness of the internal risk management and control systems. This includes the reasonable assurance that the aforementioned systems do not contain any material inaccuracies. In addition, the tasks of the Risk Committee of the Supervisory Board includes supervision and monitoring, as well as advising the Management Board on the operation of the company's internal risk management and control systems. The Risk Committee is also responsible for providing advice to the Management Board on the company's development, performance, and sustainability of its trading strategies, as well as reviewing the risk of the company. It maintains regular contact with the company's Trading and Risk and Mid-Office departments. For more information on the

responsibilities of our Risk Committee, please see the chapter Our Governance of the annual report of 2019.

Following a review of the company's risk assessment processes, the monitoring of the company's internal risk management and control systems has been identified as a priority and as a joint responsibility of the Supervisory Board and its committees. All risks relevant to each of the committees of the Supervisory Board are monitored in the Risk Committee of the Supervisory Board. This means that the relevant items set out in best practice provision 1.4.1 of the Corporate Governance Code have been discussed by the Supervisory Board, as all members of the Supervisory Board are members of the Risk Committee. For more information, please refer to the chapter Supervisory Board Report of the annual report of 2019.

Key risks

Market risk

Market risk is the risk of loss resulting from unfavorable market movements, such as prices, when positions in financial instruments are held. The value of a financial instrument may fluctuate because of changes in factors such as equity prices, currency rates, future dividend expectations, interest rates and volatilities. Our hedging strategies, in combination with the use of straightforward products and continuous monitoring, aim to minimize this risk. Our trading philosophy is that we hedge our positions as perfectly as possible and therefore we minimize exposures towards market.

Market activity risk (business risk)

Our NTI and profitability are primarily a function of the level of trading activity, or trading volumes, in the financial instruments in which we trade, and the bid-ask spreads

(which largely determine the profit on the trade, or margins, we capture). Trading volumes in securities, derivatives and other financial instruments on exchanges and in other trading venues worldwide are directly affected by factors beyond our control, including economic and political conditions, broad trends in business and finance, regulatory requirements, actions by central banks, and changes in the markets in which such transactions occur.

To cope with periods of little market activity, we diversify in products and markets traded. This is to safeguard that we are not too dependent on the levels of market activity in one asset class or product category.

Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or external events. Operational risk management is an integral part of Flow Traders' management information and control systems. As our operational risks are concentrated in technology events at exchanges and clearing members, our investment in technology is important to mitigate those associated risks.

We operate an integrated, in-house developed, high-performance and customized technology platform with frequent and controlled deployments of new hardware and software. Our infrastructure has a modular design which allows us to rapidly test and implement improvements in both hardware and software on an ongoing basis. Controlled releases of hardware and software enhancements provide for minimal disruption to our business.

The environment in which our trading software (or updates of our trading software) is being developed is strictly

separated from the environment in which such trading software operates in production. Access to the source code is strictly controlled and limited. Prior to releasing our trading software, or an update into the production environment, any element of our trading software is subjected to a review of its code, testing in an environment that is separate from our production environment, validation in limited production (processing a strictly limited number of trades) on one trading desk in respect of trading a single financial instrument, followed by more extensive testing across multiple desks and/or trading multiple financial instruments. Each step, and progressive steps, is documented.

We have a monitoring system in place to control uninterrupted trading activities in real time. Multilayer monitoring is employed to avoid errors, but when these occur the relevant teams are notified via multiple notification channels. We rely on multiple third party service providers for business and market data.

Our risk management system is fully integrated with our trading platform, analyzing real-time pricing data, and is designed to ensure that our order activity is conducted within strict pre-determined trading and position limits. For example, our pre-trade risk controls are designed to prevent the trading engines from sending quotes which deviate from our pre-defined risk parameters, such as price and volume limits set by the Risk Management department, which keeps our ordering, trading and positions well within tolerance levels. Our monitoring tools reconcile trades, prices and positions against those of our exchanges and prime brokers.

Our IT systems are regularly subjected to penetration tests by external experts. We have a comprehensive IT security system that is designed to protect us from attacks both from inside and outside the platform. Where we have a technical interface with institutions like our prime brokers and exchanges, the integrity of the connection between the systems and the data that is being exchanged is subject to prior conformance testing and continuous monitoring. Unexpected deviations are flagged and investigated. We also have a disaster recovery plan in place which, for instance, provides that each office acts as a back-up site for other offices.

We use risk-based onboarding procedures before we commence trading on new platforms, including platforms designated for trading digital assets. While many of such platforms remain unregulated, many have strongly improved their own onboarding procedures and CID procedures. While we believe our own procedures are strong and trading on such platforms is quite limited, the unregulated status of such platforms and their location in emerging economies makes them inherently less institutionalized and supervised than regulated platforms in developed economies.

Regulatory risk

While we do not have clients and do not provide investment services or ancillary services to third parties, our markets and nearly all aspects of our business are heavily regulated. Where applicable, entities forming part of our group have obtained the regulatory licenses and approvals needed to operate their regulated businesses.

Flow Traders' trading operations are established in four international jurisdictions. As a group we currently trade on

more than 180 venues worldwide. In addition, we operate on various venues through brokers. As we have to comply with our home regulations, local regulations and trading rules of all venues on which we trade, our regulatory landscape is vast. Legislators and regulators worldwide strengthen their supervision within our environment, demanding a professional and well-structured compliance organization.

Our Regulatory Compliance department assists management and operations at group and local level by identifying, advising on, reviewing and reporting on regulations. It also seeks to maintain a compliant business environment through training and monitoring in order to ensure and enhance the group's conformance with its regulatory obligations.

The Trading Compliance and Risk and Mid-Office departments have promulgated and implemented pre-trade risk controls, internal rules and regulations that were developed following regulatory requirements, guidelines from market authorities, industry best practices and our own best practices.

Laws and regulations, including tax laws, are subject to change or can be interpreted differently in practice over time. An initial IFR/IFD analysis has been completed following the publication of the Level 2 text. The outcome indicates that Flow Traders should receive some capital relief given that the incoming IFR/IFD requirements should be more tailored to Flow Traders' specific risk profile. Accordingly, capital requirements should be markedly lower once IFR/IFD comes into force in June 2021. It is envisaged that this capital relief will be partially offset by new business activities.

Actual or alleged non-compliance with applicable laws or regulatory requirements could adversely affect our reputation, profitability and prospects. This may also be the case for differences in interpretation or lack of timely or complete implementation of regulatory requirements. Sanctions could include fines, penalties, disgorgements and censures, suspension or expulsion from trading venues or the revocation or limitation of licenses. We aim to minimize such risks by focusing considerable management attention, employing highly-qualified compliance and risk professionals, deploying training, monitoring and reporting systems, and continuously evaluating and implementing current and upcoming regulation on our operations. Notwithstanding such efforts, given the highly regulated nature of our business, we are regularly subject to routine (and sometimes more targeted) inquiries and audits from regulators and trading venues. It is difficult to predict or manage the outcome of such inquiries, although we aim to be as transparent and cooperative as possible given the circumstances.

We continuously invest in good professional relationships with trading venues, regulators and other relevant parties. Flow Traders is a founding member of the FIA European Principal Traders Association (FIA EPTA), a member of the FIA Principal Traders Group (FIA PTG) in the US and a member of FIA Asia. These are industry groups that consist of leading principal trading firms. We are also a member of the Dutch Association of Proprietary Traders (APT), operating as an industry body of Netherlands-based liquidity providers. As part of these important groups, we continue to promote, foremost, the principle that all markets and market participants should be adequately and transparently regulated. Within these groups we contribute to discussions regarding current and new regulations, including IFR/IFD, CRD IV/CRR, MiFID II, Brexit, market structure and market regulations. We will continue to contribute to these discussions and will persist in maximizing transparency in respect of our industry, its benefits for all market participants and fair, orderly and transparent financial markets.

Statement by the Management Board

As required by section 5:25d of the Dutch Financial Supervision Act (Wet op het financieel toezicht) we state that according to the best of our knowledge:

- the interim financial statements present a true and fair view of the assets, the liabilities, the financial position and profit or loss of Flow Traders N.V. and the companies included in the consolidation; and
- the interim financial statements provide a true and fair view of the information required pursuant to article 5:25d paragraph 8 and 9 of the Dutch Financial Supervision Act (Wet op het financieel toezicht).

Amsterdam, 13 August 2020

Management Board

Britta Achmann, CRO
Dennis Dijkstra, CEO
Folkert Joling, CTrO
Thomas Wolff, CTO



Condensed Consolidated Interim Financial Statements 30 June 2020

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Condensed Consolidated Statement of
Financial Position

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Notes to the Condensed Consolidated
Financial Statements

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Review Report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *In thousands of euro*

	Note	At 30 June 2020	At 31 December 2019
Assets			
Cash and cash equivalents		3,275	5,687
Financial assets held for trading	5	4,879,750	3,485,698
Trading receivables	5	3,735,535	3,196,439
Other receivables		17,576	14,592
Investments fair value through OCI	5	3,967	1,271
Investments in associates		194	202
Property and equipment		43,510	43,301
Intangible assets		1,401	1,471
Current tax assets		5,237	5,386
Deferred tax assets		5,588	1,505
Total assets		8,696,033	6,755,552
Liabilities			
Financial liabilities held for trading	5	2,095,336	1,618,864
Trading payables	5	5,607,354	4,701,025
Lease liabilities		17,562	15,975
Other liabilities	7	236,792	85,270
Current tax liabilities		81,710	2,015
Deferred tax liabilities		1,193	1,352
Total liabilities		8,039,947	6,424,501
Equity			
	10		
Share capital		4,653	4,653
Share premium		154,844	154,570
Retained earnings		480,393	156,548
Currency translation reserve		17,124	16,234
Fair value reserve		(928)	(954)
Total equity		656,086	331,051
Total equity and liabilities		8,696,033	6,755,552

The notes on pages 21 to 28 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *In thousands of euro* **For the six months ended 30 June**

	Note	2020	2019
Gross trading income*		822,413	183,991
Fees related to the trading activities*		67,024	37,396
Net financial expenses related to the trading activities		30,548	29,554
Net trading income		724,841	117,041
Employee expenses	7	229,521	42,934
Depreciation of property and equipment		7,000	7,043
Amortization of intangible assets		173	187
Impairment of tangible and intangible assets		49	34
Other expenses	8	31,017	26,395
Operating expenses		267,760	76,593
Operating result		457,081	40,448
Result on equity-accounted investees		85	51
Profit before tax		457,166	40,499
Tax expense		81,887	7,501
Profit for the period		375,279	32,998
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		890	295
Items not reclassified to profit or loss			
Changes in fair value through other comprehensive income		26	(149)
Other comprehensive income for the year (net of tax)		916	146
Total comprehensive income for the year		376,195	33,144
Earnings per share			
Basic and fully diluted earnings per share	6	8.25	0.71

* The impact of COVID-19 on the results of the company is discussed in the Financial Overview section of Our Business report.

The notes on pages 21 to 28 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *In thousands of euro*

	Share capital	Share premium	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2020	4,653	154,570	16,234	(954)	156,548	331,051
Profit	-	-	-	-	375,279	375,279
Total other comprehensive income	-	-	890	26	-	916
Total comprehensive income for the period	-	-	890	26	375,279	376,195
Transactions with owners of the Company						
Share premium	-	274	-	-	-	274
Dividends declared	-	-	-	-	(24,870)	(24,870)
Treasury shares	-	-	-	-	(29,588)	(29,588)
Share based payments	-	-	-	-	3,024	3,024
Total transactions with owners of the company	-	274	-	-	(51,434)	(51,160)
Balance at 30 June 2020	4,653	154,844	17,124	(928)	480,393	656,086

	Share capital	Share premium	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2019	4,653	154,509	14,663	(508)	167,734	341,051
Profit	-	-	-	-	32,998	32,998
Total other comprehensive income	-	-	295	(149)	-	146
Total comprehensive income for the period	-	-	295	(149)	32,998	33,144
Transactions with owners of the Company						
Share premium	-	31	-	-	-	31
Dividends declared	-	-	-	-	(46,423)	(46,423)
Treasury shares	-	-	-	-	(145)	(145)
Total transactions with owners of the company	-	31	-	-	(46,568)	(46,537)
Balance at 30 June 2019	4,653	154,540	14,958	(657)	154,164	327,658

The notes on pages 21 to 28 are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

For the six months ended 30 June

	2020	2019
Cash flows from operating activities		
Profit for the period	375,279	32,998
Adjusted for:		
Depreciation of property and equipment	7,000	7,043
Amortization of intangible assets	173	187
Impairment of tangible and intangible assets	49	34
Result on equity-accounted investees (net of tax)	-	(51)
Tax expense	81,887	7,501
Share based compensation	3,851	-
Interest on lease liabilities	204	-
Changes in working capital		
■ Financial assets held for trading	(1,394,052)	176,001
■ Trading receivables	(539,096)	306,848
■ Other receivables	(2,984)	227
■ Financial liabilities held for trading	476,472	(815,298)
■ Trading payables	906,329	382,782
■ Other liabilities	151,522	(36,352)
■ Corporate income tax paid	(6,285)	(5,017)
■ Other	1,551	(20)
Cash flows from operating activities	61,900	56,883

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

For the six months ended 30 June

	2020	2019
Cash flows from investing activities		
Acquisition of investments fair value through OCI	(2,739)	(449)
Acquisition of property and equipment	(2,819)	(6,588)
Acquisition of intangible assets	(103)	(263)
Cash flows from investing activities	(5,661)	(7,300)
Cash flows from financing activities		
Dividends paid	(24,870)	(46,423)
Payments of lease liabilities	(3,628)	(3,035)
Repurchases of shares	(30,150)	-
Capital contributions	-	31
Cash flows from financing activities	(58,648)	(49,427)
Effect of movements in exchange rates on cash and cash equivalents	(3)	159
Change in cash and cash equivalents	(2,412)	315
Changes in cash and cash equivalents		
Cash and cash equivalents at opening	5,687	10,054
Cash and cash equivalents at close	3,275	10,369
Changes in cash and cash equivalents	(2,412)	315

Notes to the condensed consolidated financial statements

All amounts in thousands of euro, unless stated otherwise.

1. Reporting entity

Flow Traders N.V. (referred to as the 'Company') is a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands, having its seat (statutaire zetel) in Amsterdam, the Netherlands, having its registered office at Jacob Bontiusplaats 9, 1018 LL Amsterdam, the Netherlands and registered with the Trade Register of the Chamber of Commerce (Kamer van Koophandel, afdeling Handelsregister) under number 34294936.

These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is a leading global technology-enabled liquidity provider that specializes in exchange traded products (ETPs). The Group's goal is to be a leading electronic liquidity provider.

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2020 incorporate financial information of Flow Traders N.V., its controlled entities and interests in associates. The condensed consolidated interim financial statements were authorised for issue by the Company's Management Board and the Supervisory Board on 13 August 2020.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2019.

The board report as set out on page 4 to 14 is an integral part of these condensed consolidated interim financial statements.

3. New standards, interpretations and amendments adopted by the group

All accounting policies in these condensed consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

An amendment to IFRS 16 provides an optional practical expedient where lessees can elect to account for rent concessions related to COVID-19 as if they were not lease modifications. This amendment does not have an impact on the interim condensed consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

4. Operating segments

The Group operates in the following regions via its subsidiaries in Europe (the Netherlands, Romania), the Americas (the United States of America) and Asia (Singapore and Hong Kong).

The Group's trading assets and liabilities attributable to each segment are reported to management on the basis of net liquidity. Consequently, the reported total assets in each segment are net of the segment's financial liabilities held for trading and trading payables.

The impact of COVID-19 on the results of the company is discussed in the Financial Overview section of Our Business report.

SEGMENT REPORTING
For the six months ended 2020

	Europe	Americas	Asia	Total
Gross trading income	455,998	294,140	72,275	822,413
Fees related to the trading activities	29,387	32,793	4,844	67,024
Net financial expenses related to the trading activities	12,448	15,633	2,467	30,548
Net trading income	414,163	245,714	64,964	724,841
Intercompany recharge	108,352	-	-	108,352
Total revenue	522,515	245,714	64,964	833,193
Employee expenses	146,711	52,545	30,265	229,521
Depreciation of property and equipment	3,438	2,112	1,450	7,000
Amortization of intangible assets	140	18	15	173
Impairment of (in) tangible assets	(7)	55	1	49
Intercompany recharge	-	93,814	14,538	108,352
Other expenses	18,254	8,518	4,245	31,017
Operating expenses	168,536	157,062	50,514	376,112
Operating result	353,979	88,652	14,450	457,081
Result/(impairment) of equity-accounted investees	-	85	-	85
Profit before tax	353,979	88,737	14,450	457,166
Tax expense	61,394	19,653	840	81,887
Profit for the period	292,585	69,084	13,610	375,279
Assets	583,963	338,738	70,643	993,344
Liabilities	218,959	84,764	33,534	337,257

SEGMENT REPORTING
For the six months ended 30 June 2019

	Europe	Americas	Asia	Total
Gross trading income	100,629	61,405	21,957	183,991
Fees related to the trading activities	17,379	16,662	3,355	37,396
Net financial expenses related to the trading activities	13,684	12,156	3,714	29,554
Net trading income	69,566	32,587	14,888	117,041
Intercompany recharge	8,560	-	-	8,560
Total revenue	78,126	32,587	14,888	125,601
Personnel expenses	27,074	8,527	7,333	42,934
Depreciation of property and equipment	3,655	1,952	1,436	7,043
Amortization of intangible assets	159	7	21	187
Write off of (in) tangible assets	-	29	5	34
Intercompany recharge	-	7,440	1,120	8,560
Other expenses	13,578	8,761	4,056	26,395
Operating expenses	44,466	26,716	13,971	85,153
Operating result	33,660	5,871	917	40,448
Result of equity-accounted investees	51	-	-	51
Profit before tax	33,711	5,871	917	40,499
Tax expense	5,915	1,517	69	7,501
Profit for the period	27,796	4,354	848	32,998
Assets	207,594	184,831	50,596	443,022
Liabilities	68,492	30,337	16,536	115,364

5. Fair values of financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Valuation models

The Group measures fair values using the following fair value hierarchy, depending on the inputs used for making the measurements.

- Level 1: inputs that are quoted, unadjusted, market prices in active markets for identical instruments;
- Level 2: inputs, other than within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered inactive; or other valuation techniques in which all significant inputs are directly or indirectly observable market data;
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between independent market participants at the measurement date.

The Group uses widely recognized valuation techniques and models (including net present value models and comparisons with similar instruments for which market observable prices exist) for determining the fair value of common, simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices or model inputs (including risk-free and benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations) are usually available in the market for listed debt and equity securities, exchange-traded derivatives and

simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and thus reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

When the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

Valuation framework

The Group has a control framework with respect to the measurement of fair values. This framework includes a Risk and Mid-Office department which is independent of the Trading department and reports directly to the Management Board. The Risk and Mid-Office department has overall responsibility for independently verifying the results of trading and all significant fair value measurements. The daily reconciliation of the positions and prices between the prime brokers and the Trading department is most important.

The prime brokers of the Group provide electronic position statements on a daily basis, which are uploaded automatically into the Group's databases. The Group and its prime brokers agreed when files will be available and methods for transmission and communication. All data is normalized by the Group so it can be used in multiple internal systems. The information is mainly used for daily independent reconciliation of positions and prices, resulting in profit and loss accounts.

The following reconciliations are executed on a daily basis:

- Reconciliation of the positions – The Risk and Mid-Office department reconciles the positions of the Trading department with information provided by the prime brokers. All differences are reconciled and agreed by the Trading department of the Group and the prime brokers;

- Reconciliation of prices – The Risk and Mid-Office department reconciles prices as provided by the Trading Department with those of the prime brokers and/or data from external data vendors. All differences are reconciled and the Risk and Mid-Office department makes sure that any required follow up action is taken, either by the prime broker or the Trading department. Therefore, all prices are checked with independent sources.

Results of these reconciliation processes are communicated and agreed with Heads of Trading, the Risk and Mid-Office department and the Management Board on a daily basis.

a) Financial assets and liabilities held for trading

The Group mainly trades on regulated and active markets. The financial assets and liabilities held for trading are carried at fair value, based whenever possible on quoted market prices, as published by exchanges, market data vendors and prime brokers.

The valuation of trading positions, both the long and the short positions, is determined by reference to last traded prices from similar instruments from the exchanges at the reporting date. Such financial assets and liabilities are classified as Level 1.

A substantial part of the financial assets and liabilities held for trading which are carried at fair value are based on theoretical prices which can differ from quoted market prices.

The theoretical prices reflect price adjustments primarily caused by the fact that the Group continuously prices its financial assets and liabilities based on all available information.

This includes prices for identical and near-identical positions, as well as the prices for securities underlying the Group's positions, on other exchanges that are open after the exchange on which the financial asset or liability is traded closes. The Group's Risk and Mid-Office department checks the theoretical price independently. As part of its review, it monitors whether all price adjustments can be substantiated with market inputs. Consequently, such financial assets and liabilities are classified as Level 2.

For offsetting (delta neutral) positions, the Group uses mid-market prices to determine fair value.

b) Investments fair value through OCI

The fair value of Investments fair value through OCI is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique and are classified as Level 2.

c) Other receivables

The carrying value of other receivables with a maturity of less than one year is assumed to approximate their fair values.

Fair value hierarchy

	At 30 June 2020			
	Level 1	Level 2	Level 3	Total
Long positions in cash market products	97,257	4,779,338	–	4,876,595
Mark to market derivatives assets	–	3,155	–	3,155
Financial assets held for trading	97,257	4,782,493	–	4,879,750
Trading receivables	3,735,535	–	–	3,735,535
Investments fair value through OCI	–	3,967	–	3,967
Total long positions	3,832,792	4,786,460	–	8,619,252
Short positions in cash market products	50,990	2,040,337	–	2,091,327
Mark to market derivatives liabilities	–	4,009	–	4,009
Financial liabilities held for trading	50,990	2,044,346	–	2,095,336
Trading payables	5,607,354	–	–	5,607,354
Total short positions	5,658,344	2,044,346	–	7,702,690

	At 30 June 2019			
	Level 1	Level 2	Level 3	Total
Long positions in cash market products	59,909	3,436,029	-	3,495,938
Mark to market derivatives assets	-	4,868	-	4,868
Financial assets held for trading	59,909	3,440,897	-	3,500,806
Trading receivables	2,733,027	-	-	2,733,027
Investments fair value through OCI	-	1,557	-	1,557
Total long positions	2,792,936	3,442,454	-	6,235,390
Short positions in cash market products	44,708	1,741,523	-	1,786,231
Mark to market derivatives liabilities	-	-	-	-
Financial liabilities held for trading	44,708	1,741,523	-	1,786,231
Trading payable	4,083,337	-	-	4,083,337
Total short positions	4,128,045	1,741,523	-	5,869,568

Due to the short holding period between acquisition and sale, there are no transfers between Level 1 and Level 2. There are no Level 3 positions.

Hedge of net investments in foreign operations

Included in financial liabilities held for trading at 30 June 2020 were borrowings of USD 174,500,000 and USD 2,000,000, which has been designated as a hedge of the net investments in the United States and Singapore subsidiaries, respectively, which have their functional currencies in USD. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the borrowing.

The impact of the hedging instrument recorded in financial liabilities held for trading on the statement of financial position is as follows:

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Notional amount (US\$000)	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period (€000)	Notional amount (US\$000)	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period (€000)
Foreign currency denominated borrowing	176,500	158,673	(615)	120,500	105,813	696

The impact of the hedged item on the statement of financial position is as follows:

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	Change in fair value used for measuring ineffectiveness (€000)	Foreign currency translation reserve (€000)	Change in fair value used for measuring ineffectiveness (€000)	Foreign currency translation reserve (€000)
Net investment in foreign subsidiaries	(615)	(615)	696	696

The hedging gain recognized in OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognized in profit or loss.

6. Earnings per share

The calculation of the earnings per share has been based on the profit for the year attributable to ordinary shareholders and the number of ordinary shares outstanding.

EARNINGS PER SHARE	For the six months ended 30 June	
	2020	2019
Profit for the year	375,279	32,998
Profit attributable to ordinary shareholders	375,279	32,998
Weighted average number of ordinary shares for basic		
EPS ¹	45,492,824	46,429,911
Issued ordinary shares	45,492,824	46,429,911
Basic and fully diluted earnings per share	8.25	0.71

¹ The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

7. Employee expenses

	For the six months ended	
	2020	2019
Wages and salaries	17,875	15,170
Variable compensation	205,850	22,036
Social security charges	2,124	1,705
Recruitment and other employment costs	3,672	4,023
Employee expenses	229,521	42,934

The wages and salaries increased in line with the FTE development from 465 as per 30 June 2019 to 502 as per 30 June 2020. Overall employee expenses increased by 435% as a result of the increase in variable compensation paid to employees. The increase in variable compensation is also reflected in the increase in other liabilities. The amount of variable compensation payable is based on the operational profit of the company. The impact of COVID-19 on the results of the company is discussed in the Financial Overview section of Our Business report. Included in variable compensation is €3.9 million share-based compensation.

8. Other expenses

	For the six months ended	
	2020	2019
Technology	23,099	18,836
Housing	1,338	1,132
Advisors and assurance	1,480	889
Regulatory costs	1,375	648
Fixed exchange costs	1,799	2,020
Travel expenses	618	1,427
Various expenses	1,308	1,443
Other expenses	31,017	26,395

Technology expenses increased due to initiatives to optimize our infrastructure. Increase in regulatory costs is due to higher variable fees based on the revenue of the company. Travel expenses have been limited due to reduced business travel due to COVID-19.

9. Taxation

Tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Group's estimated consolidated effective tax rate for the first half year ended 30 June 2020 is 17.9% (first half year ended 30 June 2019: 18.5%).

10. Equity

Share capital and share premium

All ordinary shares rank equally with regard to the Company's residual assets. There are no preferred shareholders.

ORDINARY SHARES

	2020	2019
In issue 1 January	46,534,500	46,534,500
Treasury shares	(1,476,394)	(111,216)
Outstanding 30 June	45,058,106	46,423,284

Ordinary shares

Holders of the Company's ordinary shares are entitled to dividends and are entitled to one vote per share at general meetings of the Company.

Total authorized capital of the Company is €10 million consisting of 100 million shares of which currently 46,534,500 shares are issued. The nominal value per share is €0.10 each, and therefore the issued and paid up capital amounts to €4,653,000.

Shares acquired by participants in 2015 as part of the EEP 2015 are subject to a lock-up period. When a participant leaves the Company before the end of the lock-up period, the participant must offer any such unreleased shares to the Company at the lower of the price paid by the participant or the market price. During 2020 and 2019 these shares were used into the Flow Loyalty Incentive Plan whereby all employees receive 100 shares in the company at their two years working anniversary. Part of these shares are held by the Company as treasury shares.

Treasury shares held by the Company are not cancelled. Treasury shares are recognized at cost and deducted from equity as part of the retained earnings. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in retained earnings. Treasury shares are used to distribute to employees as further set out in our remuneration report of 2019.

Currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This also includes the hedge results.

Revaluation reserve

The revaluation reserve comprises the fair value movements on all Investments fair value through OCI of the Group.

Interim dividends

It is proposed that an interim cash dividend of €4.00 per share will be paid out to shareholders for the financial year 2020, subject to 15% dividend withholding tax.

11. Other contingent liabilities

Claims

The Group is not involved in any significant and material legal procedures and/or claims and there are no other contingent liabilities.

Fiscal unity

The Group constitutes a fiscal unity with its fully owned Dutch subsidiaries for Dutch income tax purposes. Moreover, Flow Traders B.V. forms part of a fiscal unity for VAT purposes, covering part of the Dutch Group. All companies in the fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity.

Cash incentive provided to employees

As explained in our remuneration report and the Management Board report of the Company's annual report of 2019, our employees have the possibility to participate in an employee equity plan and are eligible to a cash incentive depending on their share position in the company. One of the conditions for this cash incentive is that the employee needs to be employed at the Company at the time of the payment of the cash incentive. Payments will be made in the first, second, third, fourth and fifth year of the plan. Based on IAS 19, costs related to the cash incentive may not be recognized until the employee fulfils the service obligation. Therefore these costs will be recognized in future years in the profit and loss.

ON- AND OFF-BALANCE SHEET LIABILITY AMOUNTS

	2021	2022	2023	2024	2025
Cash incentive plan 2017	504	504	504	-	-
Cash incentive plan 2018	1,390	1,390	1,390	-	-
Cash incentive plan 2019	701	701	701	701	-
Cash incentive plan 2020	6,932	6,932	6,932	6,932	6,932

12. Group companies**SUBSIDIARIES**

	Country of incorporation	Ownership interest	
		2020	2019
Flow Traders Holding B.V.	Netherlands	100%	100%
Flow Traders B.V.	Netherlands	100%	100%
Flow Traders Technologies B.V.	Netherlands	100%	100%
INIT Capital B.V.	Netherlands	100%	100%
Flow Traders Asia Pte. Ltd.	Singapore	100%	100%
Flow Traders Hong Kong Ltd	Hong Kong	100%	100%
Flow Traders Hong Kong Services Ltd	Hong Kong	100%	100%
Flow Traders U.S. Holding LLC	United States of America	100%	100%
Flow Traders U.S. LLC	United States of America	100%	100%
Flow Traders U.S. Institutional Trading LLC	United States of America	100%	100%
Flow Traders Technologies SRL	Romania	100%	100%

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which its subsidiaries operate.

Related party transactions

No material related party transactions have taken place in the first six months of the year.

Subsequent events

No material subsequent events have occurred since 30 June 2020 that require recognition or disclosure in this year's financial statements.

Independent auditor's review report

To: the Supervisory Board, the Management Board and shareholders of Flow Traders N.V.

Our conclusion

We have reviewed the condensed consolidated interim financial statements included in the half-yearly financial report of Flow Traders N.V. based in Amsterdam for the period from 1 January 2020 to 30 June 2020.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Flow Traders N.V. for the period from 1 January 2020 to 30 June 2020, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

The condensed consolidated interim financial statements comprises:

- The condensed consolidated statement of financial position as at 30 June 2020
- The following condensed consolidated statements for the period from 1 January 2020 to 30 June 2020: the statements of profit or loss and other comprehensive income, changes in equity and cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit".

A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial statements section of our report.

We are independent of Flow Traders N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of management and the supervisory board for the condensed consolidated interim financial statements

Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance IAS 34, "Interim Financial Reporting", as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the review of the condensed consolidated interim financial statements

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within the entity
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements
- Obtaining assurance evidence that the condensed consolidated interim financial statements agrees with, or reconciles to, the entity's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements
- Considering whether the condensed consolidated interim financial statements has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

The Hague, 13 august 2020

Ernst & Young Accountants LLP

Signed by T. de Kuijper

This document contains “forward-looking statements” which relate to, without limitation, our plans, objectives, strategies, future operational performance, and anticipated developments in the industry in which we operate. These forward-looking statements are characterized by words such as “anticipate”, “estimate”, “believe”, “intend”, “plan”, “predict”, “may”, “will”, “would”, “should”, “continue”, “expect” and similar expressions, but these expressions are not the exclusive means of identifying such statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause circumstances or our actual results, performance or achievements to be materially different from any future circumstances, results, performance or achievements expressed or implied by such statements. Such factors include, among other things, reduced levels of overall trading volume and lower margins; dependence upon prime brokers, ETP issuers, trading counterparties, CCPs and custodians; losing access to an important exchange or other trading venue; occurrence of a systemic market event; incurrence of trading losses; failures or disruption of our trading platform or our or third-party technical infrastructure; risks associated with operational elements of our business and trading generally; ineffective risk management systems, processes and strategies; intense competition in our business; dependence on continued access to sources of liquidity; capacity constraints of computer and communications systems; dependence on third-party software, infrastructure or availability of certain software systems; damage to our reputation and the reputation of our industry; loss of key staff or failure to attract and retain other highly skilled professionals; changes to applicable regulatory requirements; compliance with applicable laws and regulatory requirements, including those specific to our industry; enhanced media and regulatory attention and its impact upon public perception of us or of companies in our industry; and other risks.

The forward-looking statements contained in this document are based on assumptions, beliefs and expectations that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure you that such expectations will prove to be correct. Given the risks and uncertainties associated with forward-looking statements, you are cautioned not to place undue reliance on such forward-looking statements.

Such forward-looking statements speak only as of the date on which they are made. Accordingly, other than as required by applicable law or the rules of the stock exchange on which our securities are listed, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Any forward-looking statements should not be regarded as a representation or warranty by us or any other person with respect to the achievement of the results set out in such statements or that the underlying assumptions used will in fact be the case. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected.

Statements regarding the market, industry and trends, including the FX market and development in ETP Assets under Management in certain markets, ETP value traded in certain markets and Flow Traders’ competitive position are based on outside data and sources.

F L O W ■ T R A D E R S

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