FLOW TRADERS

Half Year Report 2019

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Flow Traders at a Glance

FIRST TWO QUARTERS 2019 BY NUMBERS

Global ETP value traded (€bn)
First six months 2019
11,934
–1%
First six months 2018: 12,084

FTEs as per 30 June 2019
465
+7%
31 December 2018: 436

Flow Traders ETP value traded (€bn)
First six months 2019
494
+11%
First six months 2018: 443

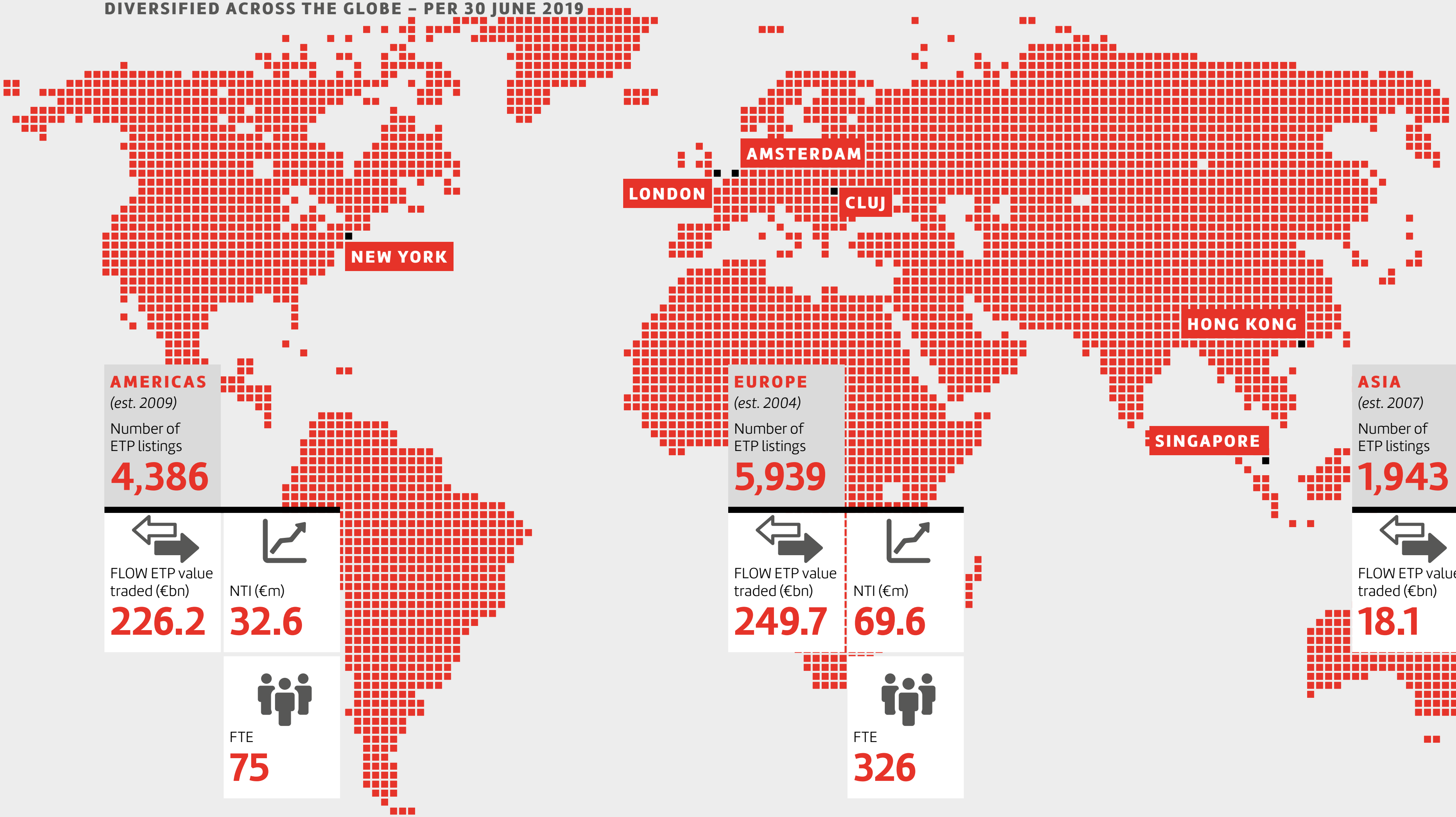
Net Trading Income (NTI) (€m)
First six months 2019
117.0
–56%
First six months 2018: 266.9

Net Profit (€m)
First six months 2019
33.0
–74%
First six months 2018: 126.8

Interim dividend (€)
0.35
–74%
Interim dividend 2018: 1.35

Flow Traders at a Glance

DIVERSIFIED ACROSS THE GLOBE – PER 30 JUNE 2019



AMERICAS
(est. 2009)

Number of ETP listings
4,386

FLOW ETP value traded (€bn)
226.2

NTI (€m)
32.6

FTE
75

EUROPE
(est. 2004)

Number of ETP listings
5,939

FLOW ETP value traded (€bn)
249.7

NTI (€m)
69.6

FTE
326

ASIA
(est. 2007)

Number of ETP listings
1,943

FLOW ETP value traded (€bn)
18.1

NTI (€m)
14.9

FTE
64

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. In 2019 we continued our work to further diversify our market making activities into other asset classes, like Foreign Exchange (FX). 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

In 2019 we traded in well over 10,000 financial instruments, and have access to more than 182 trading venues in over 40 countries around the world. We provide liquidity in over 7,000 ETP listings on- and off-exchange, which is well over 50 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to over 1,200 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.

In 2018, we began providing liquidity as a market maker in FX. We are continuously providing liquidity in an increasing number of currencies on-screen and over the counter (OTC) to a growing number of counterparties.

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 Advisors, global ETP Assets under Management (AuM) grew from €4,192 billion in 2018 to €4,731 billion by the end of 1Q 2019. This growth is expected to continue, with sources such as BlackRock, PwC, Boston Consulting Group and EY predicting that the market will grow further to over $7.6 trillion by the end of 2020, 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.

Global coverage

Flow Traders has a global presence operating trading activities from five offices, in Amsterdam, Hong Kong, London, New York and Singapore. Our value traded, both in ETPs and other financial products, grew substantially, while the ETP market value traded was practically flat. This is the result of our ongoing focus on growth and diversification in trading. The largest ETP market is still in the United States, where total ETP value traded (on-exchange and off-exchange) was €10.3 trillion in the first six months of 2019. Our New York office's total ETP value traded was €226 billion in the first six months of 2019, an improvement versus 2018. As institutional trading gained further momentum in 2019, Flow Traders US continued to grow its overall presence.

In EMEA, the total market ETP value traded of €710 billion in the first six months of 2019. Our total ETP value traded from our Europe offices was €250 billion, which was in line with market developments. Flow Traders remained the number one liquidity provider in ETPs in EMEA. Our non-ETP Value Traded in EMEA grew further as well, supporting our overall position in the region.

In APAC, volumes traded in the ETP market remain dominated by the top-10 most traded ETP products, as those 10 determine roughly 55-60 percent of the total market volumes. The market total ETP value traded (on-exchange and off-exchange) was €941 billion in the first six months of 2019, including China, while the total ETP value traded at our Hong Kong and Singapore offices was €18 billion. Our non-ETP Value Traded grew to €226 billion.

Review of 2019

Global ETP markets grew measured in AuM driven by political developments across the globe and market conditions. (source BlackRock Global ETP Landscape May 2019). Overall trading activity in 2019 was comparable to the first 6 months of 2018 in terms of Value Traded.
The emphasis on growing our presence in the Americas and APAC are starting to show in our values traded in 2019 so far. With the growth initiatives underway and the optimization of Flow Traders' trading infrastructure in APAC, Flow Traders expects to extend it's presence further in its regions.

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.
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. Risk Management, Mid-Office and Trading Compliance 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 intended appointment and/or removal of the Global Head of Risk and Mid-Office.
- 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 Global Head of Risk and Mid-Office.

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 together with the Global Heads;
- 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 Global/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 (Global) Head.

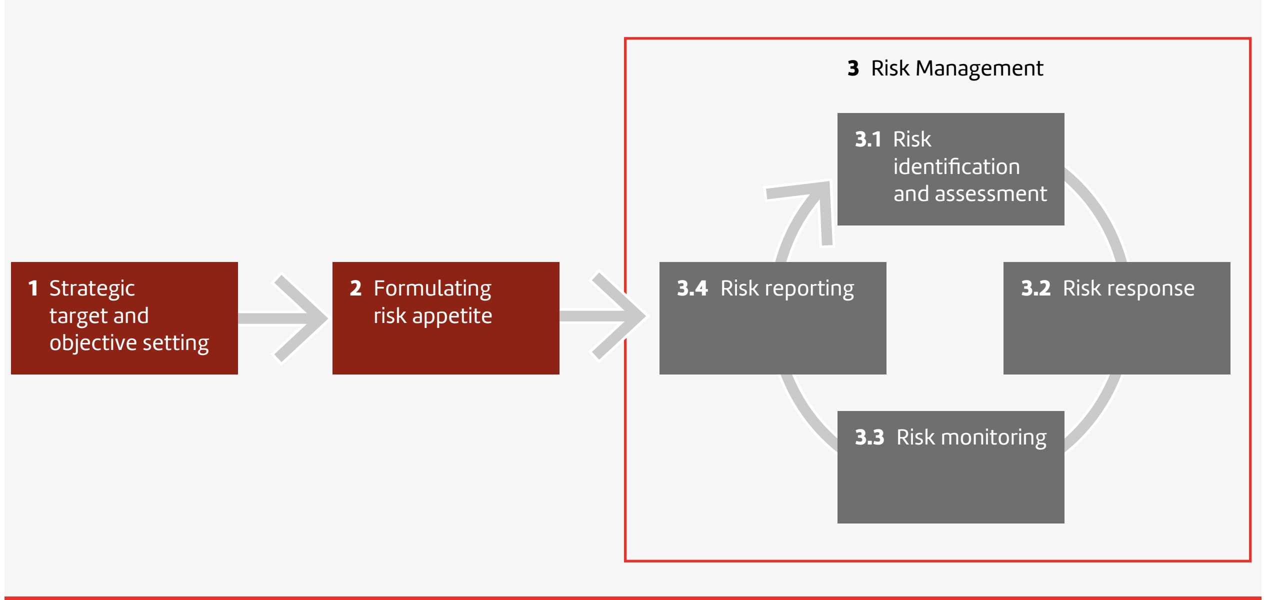
Flow Traders Risk and Mid-Office Department is responsible for:

- 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, asses 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 below figure shows the ERM cycle of Flow Traders:



Flow Traders' Enterprise Risk Management cycle.

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 our Global Head of Risk and Mid-Office and 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 in H1 2019. 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.

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.

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 minimalize 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 undisrupted 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.

‘Our infrastructure has a modular design which allows us to rapidly test and implement improvements’

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 182 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. Currently, the European Commission, European

Parliament and European member states are negotiating new capital and remuneration requirements (IFR/IFD) which may affect our Dutch trading entity and our Group.
We expect more certainty about the outcome in the next few months. Meanwhile, the remuneration rules in the Netherlands are in the process of being reviewed. We cannot predict the outcome of such regulatory developments and are closely following relevant developments.

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, 23 July 2019

Management Board
Dennis Dijkstra, CEO
Folkert Joling, CTrO
Thomas Wolff, CTO

Condensed Consolidated Interim Financial Statements 30 June 2019

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

	Note	At 30 June 2019	At 31 December 2018
Assets			
Cash and cash equivalents		10,369	10,054
Financial assets held for trading	5	3,500,806	3,676,807
Trading receivables	5	2,733,027	3,039,875
Other receivables		13,700	13,927
Investments fair value through OCI	5	1,557	1,267
Investments in associates		367	357
Property and equipment*		44,437	28,905
Intangible assets		1,358	1,281
Current tax assets		5,873	4,699
Deferred tax assets		1,096	3,001
Total assets		**6,312,590**	**6,780,173**
Liabilities			
Financial liabilities held for trading	5	1,786,231	2,601,529
Trading payables	5	4,083,337	3,700,555
Lease liabilities*	3	18,504	-
Other liabilities		84,032	125,963
Current tax liabilities		11,611	9,857
Deferred tax liabilities		1,217	1,218
Total liabilities		**5,984,932**	**6,439,122**
Equity	10		
Share capital		4,653	4,653
Share premium		154,540	154,509
Retained earnings		154,164	167,734
Currency translation reserve		14,958	14,663
Fair value reserve		(657)	(508)
Total equity		**327,658**	**341,051**
Total equity and liabilities		**6,312,590**	**6,780,173**

* *Increase is driven by the implementation of IFRS 16. Please refer to note 3 on page 19 and 20.*

The notes on pages 19 to 28 are an integral part of these consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *In thousands of euro*

		For the six months ended 30 June	
	Note	2019	2018
Gross trading income		183,991	328,645
Fees related to the trading activities		37,396	34,371
Net financial expenses related to the trading activities		29,554	27,349
Net trading income		**117,041**	**266,925**
Employee expenses	7	42,934	87,679
Depreciation of property and equipment*		7.043	3,932
Amortization of intangible assets		187	195
Impairment of tangible and intangible assets		34	82
Other expenses	8	26,395	25,942
Operating expenses		**76,593**	**117,830**
Operating result		**40,448**	**149,095**
Result on equity-accounted investees		51	3,080
Profit before tax		**40,499**	**152,175**
Tax expense		7,501	25,333
Profit for the period		**32,998**	**126,842**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations		295	2,276
Items not reclassified to profit or loss			
Changes in fair value through OCI		(149)	(25)
Other comprehensive income for the year (net of tax)		**146**	**2,251**
Total comprehensive income for the year		**33,144**	**129,093**
Earnings per share			
Basic and fully diluted earnings per share		0.71	2.73

* *Increase is driven by the implementation of IFRS 16. Please refer to note 3 on page 19 and 20.*

The notes on pages 19 to 28 are an integral part of these 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 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**

	Share capital	Share premium	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2018	**4,653**	**152,456**	**10,611**	**(286)**	**86,667**	**254,101**
Profit	–	–	–	–	126,842	126,842
Total other comprehensive income	–	–	2,277	(25)	–	2,252
Total comprehensive income for the period	**–**	**–**	**2,277**	**(25)**	**126,842**	**129,094**
Transactions with owners of the Company						
Share premium	–	653	–	–	–	653
Dividends declared	–	–	–	–	(16,287)	16,287
Other	–	–	–	–	534	534
Total transactions with owners of the company	**–**	**653**	**–**	**–**	**(15,753)**	**15,100**
Balance at 30 June 2018	**4,653**	**153,109**	**12,888**	**(311)**	**197,756**	**368,095**

The notes on pages 19 to 28 are an integral part of these consolidated financial statements.

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

	For the six months ended 30 June	
	2019	**2018**
Cash flows from operating activities		
Profit for the period	32,998	126,842
Adjusted for:		
Depreciation of property and equipment	7,043	3,932
Amortization of intangible assets	187	195
Impairment of tangible and intangible assets	34	82
Result on equity-accounted investees (net of tax)	(51)	(73)
Tax expense	7,501	25,333
Changes in working capital		
■ Financial assets held for trading	176,001	(115,751)
■ Trading receivables	306,848	(662,673)
■ Other receivables	227	(2,431)
■ Financial liabilities held for trading	(815,298)	730,169
■ Trading payables	382,782	(105,990)
■ Other liabilities	(36,352)	34,345
■ Corporate income tax paid	(5.017)	(17,371)
■ Other	(20)	2,752
Cash flows from operating activities	**56,883**	**19,361**

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

	For the six months ended 30 June	
	2019	**2018**
Cash flows from investing activities		
Acquisition of investment fair value through OCI	(449)	–
Acquisition of property and equipment	(6,588)	(3,248)
Acquisition of intangible assets	(263)	(119)
Cash flows from investing activities	**(7,300)**	**(3,367)**
Cash flows from financing activities		
Dividends paid	(46,423)	(16,287)
Payments of lease liabilities	(3,035)	–
Financial lease	–	(954)
Treasury shares	31	653
Cash flows from financing activities	**(49,427)**	**(16,588)**
Effect of movements in exchange rates on cash and cash equivalents	159	(21)
Change in cash and cash equivalents	**315**	**(615)**
Changes in cash and cash equivalents		
Cash and cash equivalents at opening	10,054	5,879
Cash and cash equivalents at close	10,369	5,264
Changes in cash and cash equivalents	**315**	**(615)**

Notes to the condensed consolidated interim 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 one-stop shop for liquidity in the Global financial Market.

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2019 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 23 July 2019.

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 2018.

The board report as set out on page 4 to 12 is an integral part of these condensed consolidated interim financial statements.

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

In these condensed consolidated interim financial statements, IFRS 16 has been applied for the first time. This new standard has limited impact on the financials and are disclosed in more detail below. All other accounting policies are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2018.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

Nature of the effect of adoption of IFRS 16

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets recognized were equal to the lease liabilities, adjusted by the amount of any lease incentives relating such leases recognized in the statement of financial position immediately before the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of € 15,546 were recognized and presented in property and equipment in the statement of financial position. This includes lease incentives of € 272 previously recognized under other liabilities. Additional lease liabilities of € 15,818 were recognized and presented in lease liabilities in the statement of financial position, in addition to lease liabilities of € 4,549 related to finance leases which were previously recognized under other liabilities.
- These adjustments did not have a material impact on retained earnings.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	23,184
Weighted average incremental borrowing rate as at 1 January 2019	2.25%
Discounted operating lease commitments as at 1 January 2019	22,393
Less:	
Commitments relating to operating expenses	(6,575)
Add:	
Commitments relating to leases previously classified as finance leases	4,549
Lease liabilities as at 1 January 2019	**20,367**

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are recorded in property and equipment on the statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities on the statement of financial position measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term.

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	Lease liabilities
As at 1 January 2019	19,588	20,367
Additions	924	924
Depreciation expense	(2,681)	-
Interest expense	-	239
Payments	-	(3,035)
Exchange rate differences	84	9
As at 30 June 2019	**17,915**	**18,504**

The Group recognized rent expense from short-term leases of €220 thousand for the six month period ended 30 June 2019.

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.

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**
Employee 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
Impairment 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/(impairment) 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**

SEGMENT REPORTING — For the six months ended 30 June 2018

	Europe	Americas	Asia	Total
Gross trading income	115,502	188,996	24,147	328,645
Fees related to the trading activities	18,141	12,566	3,664	34,371
Net financial expenses related to the trading activities	15,483	9,060	2,806	27,349
Net trading income	**81,878**	**167,370**	**17,677**	**266,925**
Intercompany recharge	84,147	-	-	84,147
Total revenue	**166,025**	**167,370**	**17,677**	**351,072**
Personnel expenses	63,279	19,361	5,039	87,679
Depreciation of property and equipment	2,276	992	664	3,932
Amortization of intangible assets	160	8	27	195
Write off of (in) tangible assets	-	82	-	82
Intercompany recharge	-	81,159	2,988	84,147
Other expenses	10,364	10,803	4,775	25,942
Operating expenses	**76,079**	**112,405**	**13,493**	**201,977**
Operating result	**89,946**	**54,965**	**4,184**	**149,095**
Result of equity-accounted investees	3,154	(74)	-	3,080
Profit before tax	**93,100**	**54,891**	**4,184**	**152,175**
Tax expense	12,534	12,059	740	25,333
Profit for the period	**80,566**	**42,832**	**3,444**	**126,842**
Assets	**343,053**	**99,907**	**36,303**	**479,263**
Liabilities	**77,135**	**27,363**	**6,671**	**111,169**

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 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 payables	4,083,337	–	–	4,083,337
Total short positions	**4,128,045**	**1,741,523**	**–**	**5,869,568**

At 30 June 2018	Level 1	Level 2	Level 3	Total
Long positions in cash market products	172,501	3,668,072	–	3,840,573
Mark to market derivatives assets	6,806	7,021	–	13,827
Financial assets held for trading	179,307	3,675,093	–	3,854,400
Available for sale investments	–	1,457	–	1,457
Total long positions	**179,307**	**3,676,550**	**–**	**3,855,857**
Short positions in cash market products	20,753	1,670,596	–	1,691,349
Mark to market derivatives liabilities	–	–	–	–
Total short positions	**20,753**	**1,670,596**	**–**	**1,691,349**

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 2019 were borrowings of USD 110,500,000 and USD 10,000,000, 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 2019			For the six months ended 30 June 2018		
	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	120,500	105,813	696	20,000	17,130	868

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

	For the six months ended 30 June 2019		For the six months ended 30 June 2018	
	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	696	696	868	868

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	
	2019	2018
Profit for the year	32,998	126,842
Profit attributable to ordinary shareholders	**32,998**	**126,842**
Weighted average number of ordinary shares for basic EPS[1]	46,429,911	46,514,440
Issued ordinary shares	**46,429,911**	**46,514,440**
Basic and fully diluted earnings per share	**0.71**	**2.73**

[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 30 June 2019	2018
Wages and salaries	15,170	12,771
Variable compensation	22,036	70,038
Social security charges	1,705	1,567
Recruitment and other employment costs	4,023	3,303
Employee expenses	**42,934**	**87,679**

The wages and salaries increased in line with the FTE development from 436 as per 31 December 2018 to 465 as per 30 June 2019. Overall employee expenses decreased by 51% as a result of the decrease in variable compensation paid to employees. The amount of variable compensation payable is based on the operational profit of the company.

8. *Other expenses*

	For the six months ended 30 June 2019	2018
Technology	18,836	17,515
Housing	1,132	2,894
Advisors and assurance	889	900
Regulatory costs	648	829
Fixed exchange costs	2,020	2,348
Travel expenses	1,427	1,066
Various expenses	1,443	390
Other expenses	**26,395**	**25,942**

As technology expenses are an important part of our business we continue to focus on the most optimal setup and continuous improvements.

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 2019 is 18.5% (first half year ended 30 June 2018: 16.6%).

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	2019	2018
In issue 1 January	46,534,500	46,534,500
Treasury shares	111,216	5,350
Outstanding 30 June	**46,423,284**	**46,529,150**

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 2017 and 2018 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.

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 € 0.35 per share will be paid out to shareholders for the financial year 2019, 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 policy and the Management Board report of the Company's annual report of 2018, 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, it is not possible to record any costs in relation to the cash incentive as long as the employee did not provide the service. Therefore these costs will be recognized in the coming years in profit and loss.

ON- AND OFF-BALANCE SHEET LIABILITY AMOUNTS

	2020	2021	2022	2023	2024
Cash incentive plan 2017	561	561	561	561	-
Cash incentive plan 2018	1,683	1,683	1,683	1,683	-
Cash incentive plan 2019	421	421	421	421	421

12. *Group companies*

SUBSIDIARIES	Country of incorporation	Ownership interest 2019	Ownership interest 2018
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%	-
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%	-
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%

* *The Company incorporated these wholly-owned subsidiaries in 2019.*

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 2019 that require recognition or disclosure in this year's financial statements.

Review report

To: the supervisory board, the management board and shareholders of Flow Traders N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Flow Traders N.V., Amsterdam, that comprise the condensed consolidated statement of financial position as at 30 June 2019, the condensed consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law, including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at and for the six-month period ended 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

The Hague, 23 July 2019

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.

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