FLOW TRADERS

Half Year Report 2018

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Flow Traders at a Glance

FIRST TWO QUARTERS 2018 BY NUMBERS

Global ETP Assets under Management (AuM) (€bn) as per 30 June 2018
4,237
+6.9%
31 December 2017: 3,962

Global ETP value traded (€bn)
First six months 2018
12,084
21%
First six months 2017: 9,956

FTEs as per 30 June 2018
412
+4.6%
31 December 2017: 394

Flow Traders ETP value traded (€bn)
First six months 2018
449
+25%
First six months 2017: 360

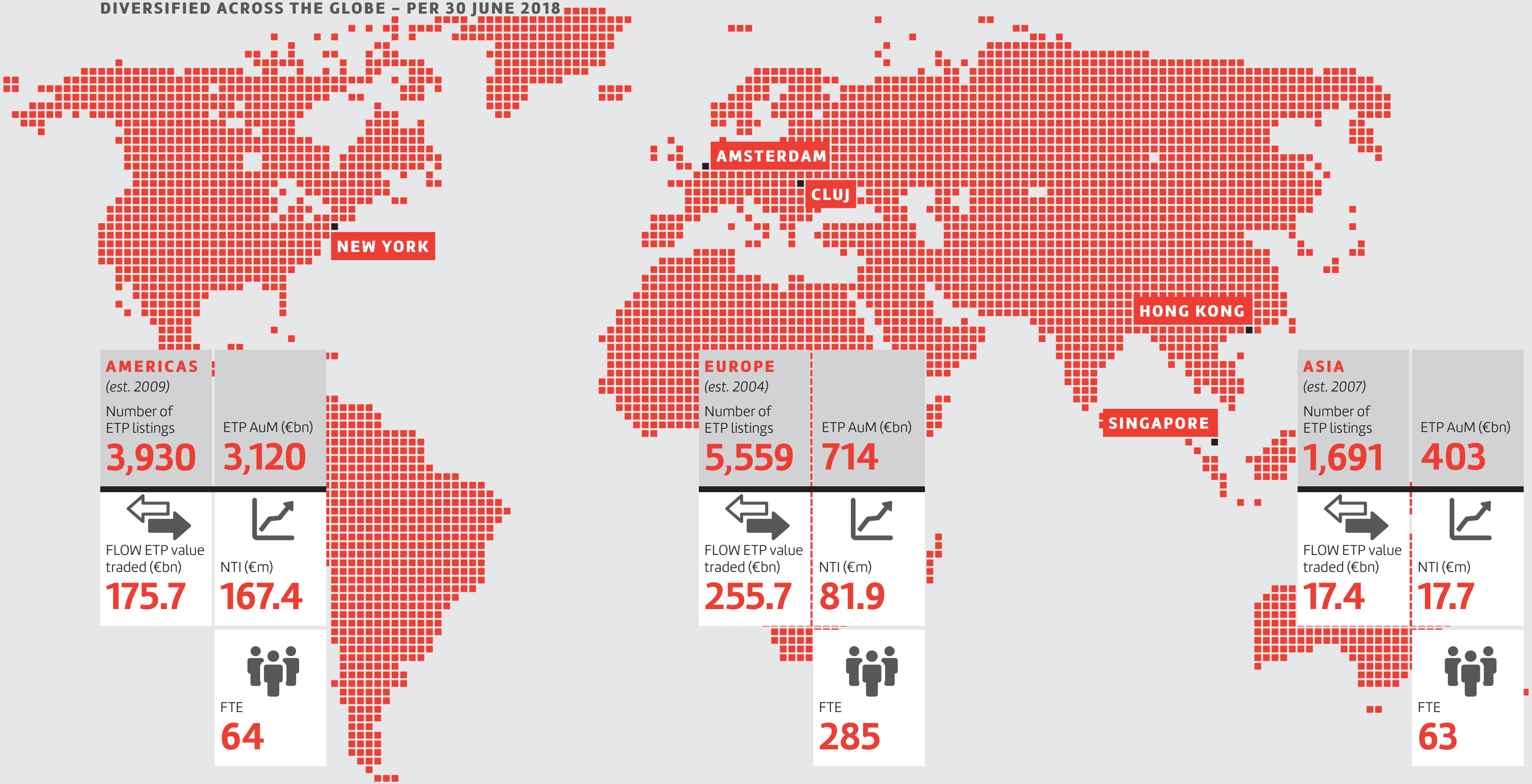
Net Trading Income (NTI) (€m)
First six months 2018
266.9
276%
First six months 2017: 71.0

Net Profit (€m)
First six months 2018
126.8
386%
First six months 2017: 26.1

Interim dividend (€)
1.35
350%
Interim dividend 2017: 0.30

Flow Traders at a Glance

DIVERSIFIED ACROSS THE GLOBE – PER 30 JUNE 2018



AMERICAS *(est. 2009)*

Number of ETP listings	ETP AuM (€bn)	FLOW ETP value traded (€bn)	NTI (€m)	FTE
3,930	3,120	175.7	167.4	64

EUROPE *(est. 2004)*

Number of ETP listings	ETP AuM (€bn)	FLOW ETP value traded (€bn)	NTI (€m)	FTE
5,559	714	255.7	81.9	285

ASIA *(est. 2007)*

Number of ETP listings	ETP AuM (€bn)	FLOW ETP value traded (€bn)	NTI (€m)	FTE
1,691	403	17.4	17.7	63

Our Business

We provide liquidity in financial products, with a focus on exchange-traded products (ETPs). ETPs are baskets of securities made up of shares, bonds, or commodities. 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.

Markets & Trends

Our business

We trade in well over 12,000 financial instruments, and have access to almost 150 trading venues in over 40 countries around the world. We provide liquidity in over 6,000 ETP listings on- and off-exchange.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to over 775 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others. Besides ETPs, we provide liquidity in similar instruments, whose value is correspondingly affected by a change in the value of their underlying assets.

As a liquidity provider, we do not have an opinion on the market. We trade market neutral. That means that our results do not depend on the direction of market prices. Our Net Trading Income is realized through the small price differences between the ETPs and other financial instruments we buy or sell, and the prices we pay or receive for the underlying or related financial instruments to mitigate our risk.

The ETP market

The popularity of ETPs has continued to increase in the recent years. According to asset manager BlackRock Advisors, global ETP Assets under Management (AuM) grew from €3,962 billion in 2017 to €4,237 billion by the end of June 2018. This growth is expected to continue, with sources such as PwC, EY and others predicting the market will continue to grow substantially, some estimate to over US$25 trillion in AuM by 2025. Investors are expected to continue to invest in low-cost, transparent and easy-to-trade passive investment strategies.

We believe there are a number of reasons for this trend to continue, also after 2025: 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 is that ETPs are liquid and available at low costs, and can be bought and sold easily during market hours. So it simplifies trading. 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.

Review of 2018

So far 2018 has been a year with different faces. The first quarter of 2018 was very much determined by several developments, such as the implementation of MiFID II in Europe and the geopolitical developments, which led to a pickup in market activity. This resulted in very volatile markets in the first two weeks of February, which helped shaping the best quarterly result for Flow Traders since inception. The second quarter of 2018 was characterized by a slowdown in market trading activities. The political tensions in Italy did add to the trading results in the first half of 2018, as market activity briefly picked up, but overall, the second quarter was not as active as the first quarter.

Our Risk Management

Flow Traders' Risk Management Framework (RMF) forms the foundation of our approach to managing key risks.

Where possible, we identify, assess, monitor, quantify and document possible risks which are inherent to trading in an automated environment. In this very dynamic world of automated trading, we have designed our RMF in such a way that it is robust, efficient and transparent. The RMF helps ensure that we have sufficient internal control and internal capital through a consistent, continuous and careful method for addressing, managing and prioritising key risks in the context of our enterprise-wide strategic objectives.

Enterprise Risk Management

We aim for a good balance between our business activities, risk and return. Our risk management is based on the COSO Enterprise Risk Management (ERM) framework, which ensures that the risk appetite and profile are integrated into the day-to-day operations and the strategic, tactical and operational objective setting and decision making.

Effective ERM practices, such as the COSO framework, requires that the key components (control environment, risk assessment, control activities, information and communication and monitoring activities) operate in an integrated manner with the strategic, operational, reporting and compliance objectives across all company levels.

We incorporate these principles by implementing the following ERM Cycle.

Every year our Management Board sets its business targets following the strategic goals (1). Based on the target and objectives, the Management Board formulates its risk appetite (2). 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 (3) 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 and compliance with applicable requirements. Following the RSAs, local department heads and global heads in cooperation with the Management Board, then decide on the appropriate risk response. The effects of the chosen risk responses are monitored and periodically the actual residual risk profile is mapped versus the appetite.

Risk categories

Flow Traders identifies 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 Flow Traders' strategy, business model and market conditions. Volatility risk is part of this risk as our Net Trading Income 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 regulatory rules (regulatory risk). In addition it includes the risk that the integrity of the organisation or its operations is jeopardised as a result of unethical behaviour of the organisation, 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 protect assets of the firm or a change in law and regulations laws and regulations.
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 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 available. This risk can be managed by intra-day monitoring of credit lines from the prime brokers, cash, portfolio efficiency and liquidity. Furthermore, liquidity risk can arise from having illiquid products on the book which cannot be turned in a short timeframe into liquid assets like cash. This part of liquidity risk can be mitigated by procedures that only allow trading liquid products and by monitoring the liquidity of the book.
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. Market risk could be suffered in the event of a firm trading on its own account and the portfolio suffering a devaluation due to changing market circumstances or developments. This risk can be mitigated by hedging the market exposures and making the portfolio less reactive on market movements.
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, and thus harming the company's financial position.

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 organisation in line with the three lines of defence model.

The first line of defence is formed by trading.

The second line of defence is responsible for policy setting, oversight and monitoring regarding risks, rules and requirements. The Risk Management, Compliance and Finance departments are responsible for the continuous risk management of the company.

The third line of defence is formed by Flow Traders' Internal Audit department.

Roles and responsibilities

Flow Traders Management Board is responsible for:

- Risk reporting towards the Risk Committee of the Supervisory Board;
- Setting companywide objectives;
- Setting boundaries for risk taking by communicating Flow Traders' risk appetite and risk tolerance;
- 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.

Flow Traders Managing Directors and Global Heads are responsible for:

- Setting departmental targets and objectives in line with companywide objectives;
- Supporting Flow Traders in the identification, handling, and monitoring of risks related to Flow Traders objectives;
- Identifying and evaluating the significant risks related to Flow Traders objectives and operations;
- Monitoring risks related to Flow Traders objectives;
- Advising Flow Traders on risk mitigating measures;
- Reporting on risks and risk management towards the Management Board;
- Following up on risk mitigating measures.

Flow Traders Local Heads are responsible for:

- 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.

Flow Traders employees are responsible for:

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

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 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 the first half of 2018. Additionally, improvements to the systems are discussed with the Management Board.

Besides 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. 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 all of its committees. All risks relevant to each of the committees of the Supervisory Board are monitored in the Risk Committee of the Supervisory Board.

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. The Risk and Mid-Office department monitors market risk exposure on a continuous basis (including intraday). Based on the limits set per product or the aggregated risk, limit breaches -if any- will trigger action from the Risk department in order to reduce the risk.
In addition, the trading positions are also monitored daily, and the applicable haircuts and margins are computed by our prime brokers.

Volatility risk (business risk)

Our Net Trading Income 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 movement, we diversify in products and markets traded. This to ensure we are not too depending on the levels of market activity in one asset class or product category. From our experience we know that in these periods some trading desks tend to earn less where others show an increase in earnings. Therefore, these strategies may serve as a (partial) hedge in such circumstances. To control the risk of low market activity, we actively manage our costs and aim to keep our fixed costs low. In addition, we diversify into different markets and products.

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 houses, 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, validation in an environment that is separate from our production environment, testing 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 progressing through steps, is documented.

Flow Traders has 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 systems are designed such that they can be monitored real-time, as well as being maintained and supported by qualified professionals from any office. Our risk management system is fully integrated with our trading platform, analysing 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 orders 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 our Amsterdam office acts as a backup site for other offices.

Regulatory risk

While we have no 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 Flow Traders N.V. and its subsidiaries (together referred to as the 'Group') have obtained the regulatory licenses and approvals needed to operate their regulated businesses.

'Our risk management system is fully integrated with our trading platform'

Flow Traders' trading operations are established in four international jurisdictions. As a Group we currently trade on more than 100 venues worldwide. In addition, we operate on various other venues through brokers. As we have to comply with our home regulations and the 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 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 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. While we believe we are well-positioned to address and implement new or changing regulations in general, and while we spend considerable resources to anticipate and implement new or changing regulations, we typically cannot (fully) assess what the impact of such regulations will eventually be in practice. New regulations or revised interpretations of regulations may or may not be beneficial to our business.

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 the Investment Firm Regulation and the Investment Firm Directive , MiFID II, Reg AT 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, 26 July 2018

Management Board
Dennis Dijkstra, Co-CEO
Sjoerd Rietberg, Co-CEO
Marcel Jongmans, CFO
Folkert Joling, CTrO
Thomas Wolff, CTO

Condensed Consolidated Interim Financial Statements 30 June 2018

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

	Note	At 30 June 2018	At 31 December 2017
Assets			
Cash and cash equivalents		5,264	5,879
Financial assets held for trading		3,854,400	3,738,649
Trading receivables		2,789,267	2,126,594
Other receivables		13,549	10,302
Investments fair value through OCI		1,457	1,475
Investments in associates		510	571
Property and equipment		29,474	27,325
Intangible assets		1,432	1,506
Current tax assets		4,733	4,698
Deferred tax assets		2,643	1,941
Assets held for sale	10	–	816
Total assets		**6,702,729**	**5,919,756**
Liabilities			
Financial liabilities held for trading		1,691,349	961,180
Trading payables		4,532,117	4,638,107
Other liabilities		101,279	65,178
Current tax liabilities		9,098	318
Deferred tax liabilities		791	872
Total liabilities		**6,334,634**	**5,665,655**
Equity	12		
Share capital		4,653	4,653
Share premium		153,109	152,456
Retained earnings		197,756	86,667
Currency translation reserve		12,888	10,611
Fair value reserve		(311)	(286)
Total equity		**368,095**	**254,101**
Total equity and liabilities		**6,702,729**	**5,919,756**

The notes on pages 17 to 23 are an integral part of these condensed consolidated interim financial statements.

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

	Note	For the six months ended 30 June 2018	2017
Gross trading income		328,645	156,047
Fees related to the trading activities		34,371	30,636
Net financial expenses related to the trading activities		27,349	30,438
Net trading income		**266,925**	**94,973**
Personnel expenses	8	87,679	33,241
Depreciation of property and equipment		3,932	3,234
Amortization of intangible assets		195	178
Write off of tangible assets		82	22
Other expenses	9	25,942	26,508
Operating expenses		**117,830**	**63,183**
Operating result		**149,095**	**31,790**
Result of equity-accounted investees	10	3,080	17
Profit before tax		**152,175**	**31,807**
Tax expense	11	25,333	5,707
Profit for the period		**126,842**	**26,100**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences – foreign operations		2,276	(5,515)
Changes in investments fair value through OCI		(25)	94
Other comprehensive income for the year (net of tax)		**2,251**	**(5,421)**
Total comprehensive income for the year		**129,093**	**20,679**
Earnings per share			
Basic and fully diluted earnings per share		2.73	0.56

The notes on pages 17 to 23 are an integral part of these condensed consolidated interim 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 2018	4,653	152,456	10,611	(286)	86,666	254,100
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	–	–	–	–	(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)	197,755	368,094

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 2017	4,653	152,456	19,533	(438)	93,887	270,091
Profit	–	–	–	–	26,100	26,100
Total other comprehensive income	–	–	(5,515)	94	–	(5,421)
Total comprehensive income for the period		–	(5,515)	94	26,100	20,679
Transactions with owners of the Company						
Dividends	–	–	–	–	(32,572)	(32,572)
Total transactions with owners of the company	–	–	–	–	(32,572)	(32,572)
Balance at 30 June 2017	4,653	152,456	14,018	(344)	87,415	258,198

The notes on pages 17 to 23 are an integral part of these condensed consolidated interim financial statements.

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

	For the six months ended 30 June	
	2018	**2017**
Cash flows from operating activities		
Profit for the period	126,842	26,100
Adjusted for:		
Depreciation of property and equipment	3,932	3,234
Amortization of intangible assets	195	178
Write off of (in)tangible assets	82	22
Result/(impairment) of equity-accounted investees (net of tax)	(73)	(17)
Net financial expenses related to the trading activities	27,349	30,438
Tax expense	25,333	5,707
Changes in working capital		
■ (increase)/decrease financial assets held for trading	(115,751)	751,431
■ (increase)/decrease trading receivables	(662,673)	932,818
■ (increase)/decrease other receivables	(2,431)	2,089
■ increase/(decrease) financial liabilities held for trading	730,169	(92,515)
■ increase/(decrease) trading payables	(105,990)	(1,521,034)
■ increase/(decrease) other liabilities	34,345	(51,959)
■ increase/(decrease) other	2,752	(4,987)
Cash flow from business operations	**64,081**	**81,505**
Interest paid	(28,375)	(30,438)
Interest received	1,026	-
Corporate income tax paid	(17,371)	(11,825)
Cash (used in)/provided by operating activities	**19,361**	**39,242**

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

	For the six months ended 30 June	
	2018	2017
Cash flows from investing activities		
Acquisition of property and equipment	(3,248)	(5,781)
Acquisition of intangible assets	(119)	(158)
Net cash (used in)/provided by investing activities	**(3,367)**	**(5,939)**
Cash flows from financing activities		
Financial lease	(954)	(365)
Dividend paid	(16,287)	(32,572)
Capital contributions	653	-
Net cash (used in)/provided by financing activities	**(16,588)**	**(32,937)**
Effect of movements in exchange rates on cash and cash equivalents	(21)	(55)
Net change in cash and cash equivalents	**(615)**	**311**
Changes in cash		
Cash and cash equivalents at opening	5,879	2,736
Cash and cash equivalents at close	5,264	3,047
Changes in cash	**(615)**	**311**

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). It is incorporated under the laws of the Netherlands, having its seat (statutaire zetel) in Amsterdam, the Netherlands, and 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) 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 ETP-focused liquidity provider.

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2018 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 26 July 2018.

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 2017.

In these condensed consolidated interim financial statements, IFRS 9 and IFRS 15 have been applied for the first time. These new standards however have no impact on the reported figures. 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 2017.

The board report as set out on pages 4 to 10 is integral part of these condensed consolidated interim financial statements.

3. *Hedge accounting*

During the first half of 2018 the Group applied hedge accounting to cover for part of their capital contributions in the US entities.

4. *Operating segments*

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

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 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	12,532	12,059	740	25,331
Profit for the period	**80,568**	**42,832**	**3,444**	**126,844**
Assets	**343,053**	**99,907**	**36,303**	**479,263**
Liabilities	**77,135**	**27,363**	**6,671**	**111,169**

SEGMENT REPORTING

For the six months ended 30 June 2017

	Europe	Americas	Asia	Total
Gross trading income	98,336	44,636	13,075	156,047
Fees related to the trading activities	17,994	10,155	2,487	30,636
Net financial expenses related to the trading activities	14,665	13,141	2,632	30,438
Net trading income	**65,677**	**21,340**	**7,956**	**94,973**
Intercompany recharge	2,526		–	2,526
Total revenue	**68,203**	**21,340**	**7,956**	**97,499**
Personnel expenses	21,695	7,916	3,630	33,241
Depreciation of property and equipment	2,054	765	415	3,234
Amortization of intangible assets	147	14	17	178
Write off of (in) tangible assets	1	–	21	22
Intercompany recharge	–	2,193	333	2,526
Other expenses	12,571	10,215	3,722	26,508
Operating expenses	**36,468**	**21,103**	**8,138**	**65,709**
Operating result	**31,735**	**237**	**(182)**	**31,790**
Result of equity-accounted investees	17	–	–	17
Profit before tax	**31,752**	**237**	**(182)**	**31,807**
Tax expense	5,627	83	(3)	5,707
Profit for the period	**26,125**	**154**	**(179)**	**26,100**
Assets	**214,707**	**73,746**	**34,914**	**323,367**
Liabilities	**42,486**	**16,916**	**5,766**	**65,168**

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 valuated 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 valuated 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 are carried at fair value, 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 these investments 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 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**
Investments fair value through OCI	–	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**

	At 31 December 2017			
	Level 1	Level 2	Level 3	Total
Long positions in cash market products	371,712	3,366,149	–	3,737,861
Mark to market derivatives assets	–	788	–	788
Financial assets held for trading	**371,712**	**3,366,937**	**–**	**3,738,649**
Investments fair value through OCI	–	1,475	–	1,475
Total long positions	**371,712**	**3,368,412**	**–**	**3,740,124**
Short positions in cash market products	61,021	900,159	–	961,180
Mark to market derivatives liabilities	–	–	–	–
Total short positions	**61,021**	**900,159**	**–**	**961,180**

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.

6. *Hedge accounting*

Included in the financial liabilities held for trading as per 30 June there was a borrowing of USD 20 million which is designated as a hedge of the net investments in the United States subsidiaries, which have their functional currencies in USD. During the six months ended 30 June 2018 an amount of € 0.9 million was transferred to other comprehensive income to offset the losses on translation of the net investments in the subsidiaries. There was no ineffectiveness in the period ended 30 June 2018.

7. *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	
	2018	2017
Profit for the year	126,842	26,100
Profit attributable to ordinary shareholders	**126,842**	**26,100**
Weighted average number of shares		
Issued ordinary shares converted at 9 July 2015	**46,534,500**	**46,534,500**
Basic and fully diluted earnings per share	**2.73**	**0.56**

8. *Personnel expenses*

	For the six months ended 30 June	
	2018	2017
Wages and salaries	12,771	11,069
Bonuses	70,038	17,347
Social security charges	1,567	1,325
Recruitment and other employment costs	3,303	3,499
Personnel expenses	**87,679**	**33,241**

9. *Other expenses*

	For the six months ended 30 June	
	2018	2017
Technology	17,515	18,766
Housing	2,894	1,963
Advisors and assurance	900	925
Regulatory costs	829	757
Fixed exchange costs	2,348	2,298
Various expenses	1,456	1,799
Other expenses	**25,942**	**26,508**

10. *Assets held for sale*

As per 31 December 2017 the 24% ownership in Think ETF Asset Management BV is reclassified to the 'assets held for sale' category on the balance sheet. On 19 January 2018 the company announced the signing of a Share Purchase Agreement. This deal is closed as per 29 June 2018 and therefore no longer part of the Flow Traders Group.

In our segment reporting this subsidiary was included in the Europe segment.

11. *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 2018 is 16.6% (first half year ended 30 June 2017: 17.9%).

12. *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	2018	2017
In issue 1 January	46,534,500	46,534,500
Member capital converted to shares at conversion to N.V.	-	-
Total	**46,534,500**	**46,534,500**

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 the Flow Loyalty Incentive Plan whereby all employees receive 100 share in the company at their two years working anniversary.

Treasury shares held by the company are not cancelled. Treasury shares are recognized at cost and deducted from equity as part of the retained earning. 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 per 30 June 2018 the company held 5,350 shares.

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 €1.35 per share will be paid out to shareholders for the financial year 2018, subject to 15% dividend withholding tax.

13. *Other contingent liabilities*

Claims

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

Fiscal unity

The Group constitutes a fiscal unity with its fully owned Dutch subsidiaries for Dutch corporate 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 the Management Board report of the Company's annual report of 2017, 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 time of the payment of the cash incentive. The 2017 plan have payments to the employees after the first, second, third, fourth and fifth year of the plan. The 2018 plan is adjusted, whereby the first payments will be done early 2019 and thereafter after the first, second, third and fourth year of the plan. For all subsequent payments after 2019 the employee needs to be employed at the company. Based on IAS 19, these costs are recognized in the year that the services are provided by the employee.

The below presented table are the figures with the current off balance sheet liability.

FLOW CASH INCENTIVE PLAN — Payable amounts

	Year 1 (2018)	Year 2 (2019)	Year 3 (2020)	Year 4 (2021)	Year 5 (2022)
2017	300,000	600,000	600,000	600,000	600,000
2018	–	2,248,000	2,248,000	2,248,000	2,248,000
Total	**300,000**	**2,848,000**	**2,848,000**	**2,848,000**	**2,848,000**

14. *Group companies*

SUBSIDIARIES	Country of incorporation	Ownership interest 2018	Ownership interest 2017
Flow Traders Holding B.V.	Netherlands	100%	100%
Flow Traders B.V.	Netherlands	100%	100%
Flow Traders Technologies B.V.	Netherlands	100%	100%
Flow Traders Asia Pte. Ltd.	Singapore	100%	100%
Flow Traders Hong Kong 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 parties transactions have taken place in the first six months of the year.

Subsequent events

Subsequent events have been evaluated through the time of issuing these financial statements on 26 July 2018.

No material subsequent events have occurred since 30 June 2018 that require recognition or disclosure in this condensed consolidated interim 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, as set out on pages 11 to 23, that comprise the condensed consolidated statement of financial position as at 30 June 2018, 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 2018 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

The Hague, 26 July 2018

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 ETP Assets under Management in certain markets, ETP Value Traded in certain markets and Flow Traders’ competitive position are based on inside and outside data and sources.

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