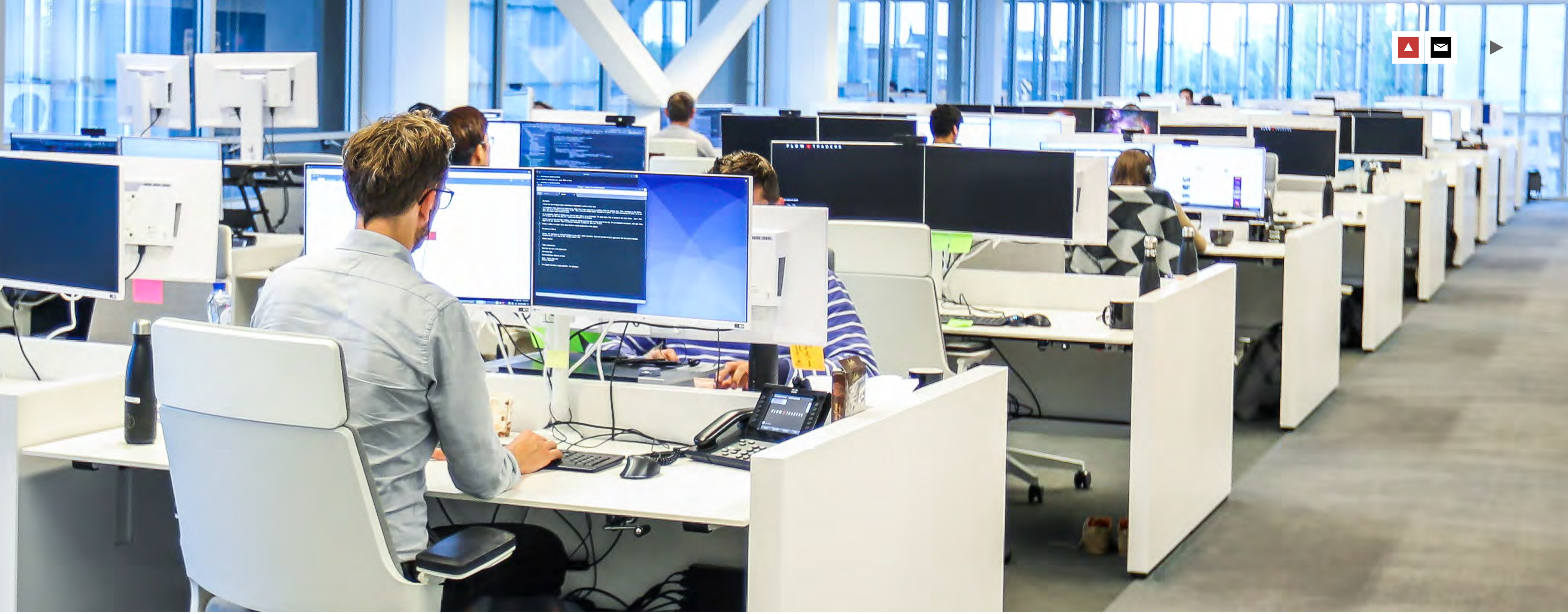

FLOW TRADERS

Annual Report 2019

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Management Board report

2019 at a glance

2019 BY NUMBERS

Market ETP Value Traded (€bn)
23,588
−7%
2018: 25,412

EBITDA (€m)
78.9
−61%
2018: 199.8

Net Profit (€m)
53.1
−67%
2018: 160.9

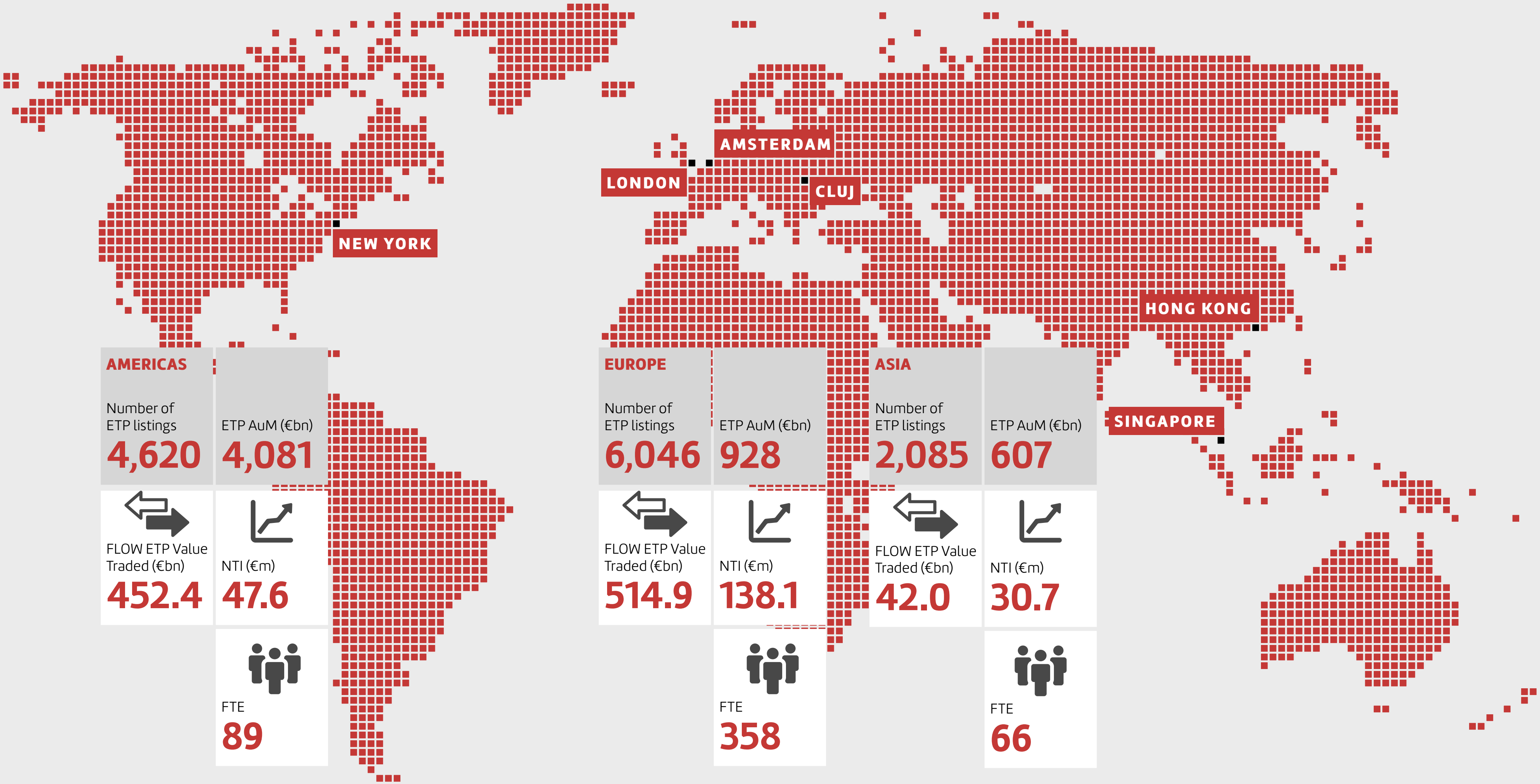
Flow Traders ETP Value Traded (€bn)
1,009
+12%
2018: 899

Flow Traders Total Value Traded (€bn)
4,005
+12%
2018: 3,581

Net Trading Income (NTI) (€m)
216.4
−44%
2018: 383.4

Earnings per share (€)
1.15
−67%
2018: 3.46

2019 at a glance



AMERICAS

Number of ETP listings	ETP AuM (€bn)
4,620	4,081

FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
452.4	47.6	89

EUROPE

Number of ETP listings	ETP AuM (€bn)
6,046	928

FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
514.9	138.1	358

ASIA

Number of ETP listings	ETP AuM (€bn)
2,085	607

FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
42.0	30.7	66

2019 at a glance

2019 FINANCIAL OVERVIEW

In thousands of euro

	For the year ended	
	2019	2018
Net Trading Income	**216,442**	**383,441**
Employee expenses (fixed)	43,586	36,097
Technology expenses	39,740	35,371
Other expenses	16,510	19,273
Fixed operating expenses	**99,836**	**90,741**
Employee expenses (variable)	37,703	92,864
Total operating expenses	**137,539**	**183,605**
EBITDA	**78,903**	**199,836**
Depreciation / amortization	14,625	9,037
Write offs, tangible assets	61	295
Results subsidiaries (profit/loss)	(1,070)	(3,436)
Profit before tax	**65,287**	**193,940**
Tax	12,150	33,007
Net profit	**53,137**	**160,933**
Net trading capital	367,935	424,652
Regulatory capital available	286,953	278,345
Regulatory capital required	154,180	168,580
Excess capital	132,773	109,765
KPI		
EBITDA margin	36.5%	52.1%
Basic and fully diluted earnings per share	1.15	3.46

Message of the Management Board

Folkert Joling, Dennis Dijkstra and Thomas Wolff

"2019 was the first year that we traded in excess of €1 trillion of ETPs despite a decline in overall market volumes"

Overall, 2019 was marked by a reduction in market trading activity levels as well as relatively low levels of market volatility compared to 2018. 2019 was the first year that we traded in excess of €1 trillion of ETPs despite a decline in overall market volumes. We continued to reap the benefits of our strategy as our strong focus on scale and efficiency led to additional market share gains. We further grew our ETP market share in Europe, strengthening our leading position, and continued to make further inroads in the United States as well as in Asia.

Market developments

Global Assets under Management invested in ETFs continued to develop in 2019, with a sharp increase in the popularity of Fixed Income ETFs. Investors are looking for opportunities to diversify their portfolios, and low cost, index-based ETFs are an attractive way to achieve this. Markets were impacted by a range of regional and global issues, with Brexit continuing to have a bearing on market sentiment in Europe. Globally, the US – China trade deal created ongoing uncertainty. However, the overall market was subdued for much of 2019.

Regulatory developments

From a regulatory perspective, we continued to comply with the capital requirements under CRR, monitored developments around Brexit, tracked the benefits of MiFID II in respect of market and product transparency, and made further improvements to our regulatory reporting systems. We followed closely the adoption of IFR and IFD and have now moved into the implementation phase ahead of the new regime coming into force in June 2021. Based on our

"A key aspect of our growth strategy involves expanding into underlying asset classes such as Foreign Exchange and Fixed Income"

initial analysis, we expect that it will have a neutral to slightly positive impact on our business.

Executing on our strategy

Our focus during the year was on executing our strategy, ensuring that as we grow we remain as entrepreneurial as possible. Our senior management team, many of whom have grown with the company, play a vital role in sourcing experienced talent to develop new initiatives while nurturing graduate traineeships within our IT and trading environments. The Flow Academy forms an important part in the continuous training of our employees. Maintaining the company's exceptional culture and core values is an important part of our mission, and as we scale up, we work hard to ensure the company's openness and short communication lines are not lost.

Diversification in asset classes

A key aspect of our growth strategy involves expanding into underlying asset classes such as Foreign Exchange and Fixed Income, which are expected to be major growth areas. To build strong and successful businesses in these arenas, we need to continue to invest capital in people. Hiring experienced professionals with knowledge of specific market structures and asset classes, such as Fixed Income and Foreign Exchange, and aligning the company around these areas, will help us create a stronger and more robust trading infrastructure.

Looking ahead

Our focus in 2020 will remain on increasing efficiency and growing the business through diversification. In addition to moving into new asset classes, we will achieve this by expanding our technology infrastructure, which will enable us to increase our data processing abilities. We will also seek to look for opportunities to operate in an as cost conscious and efficient a way as possible.

With offices in Hong Kong and Singapore, the business continuity plan remains in place with respect to recent political and public health developments in the region. Our main priority is to safeguard our people, which we can do by quickly moving staff to Singapore as and when necessary.

In 2020 we are delighted to welcome Britta Achmann to the company and the management board as Chief Risk Officer, subject to shareholders approval.

2019 was also the year in which our co-CEO, Sjoerd Rietberg, left the company after many productive and successful years. We would like to thank him for his loyalty, hard work and dedication.

Finally, we want to thank the committed and dedicated Flow Traders' team that drives our success, and acknowledge our shareholders and other stakeholders for their ongoing support and contribution.

Regards,

Dennis Dijkstra, Folkert Joling and Thomas Wolff

Our profile

Who we are

We are a leading global financial technology-enabled liquidity provider in financial products, historically specialized in Exchange Traded Products (ETPs), now expanding into other asset classes. Founded in 2004, we continuously grow our organization, ensuring that our trading desks in Europe, the Americas and Asia can provide liquidity across all major exchanges, globally, 24 hours a day. We also continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning, which is built upon our four core values.

Our core values and culture

We have always believed that creating a strong and successful business requires a set of shared values that everyone can rally around. Values that help shape how everyone behaves, feels and develops at work every day. Which is why we have identified the core values that are the essence of Flow Traders:

- Open, informal and diverse
- Taking ownership
- Entrepreneurial
- Team player

These values are a reflection of the things we believe in. And they shape our culture. We believe that how you perform is more important than what you wear. So our employees dress comfortably for work – jeans, t-shirts and sneakers are common. We believe that what someone says is more important than who says it. We believe that the contributions of our team-members are crucial to the success of the company. We believe that two people know more than one, and that people can have great ideas even in areas different to their core expertise. Which is why we welcome and encourage everyone to share their opinions. Anyone with a good idea, in their own area of expertise or another, is encouraged to share. This is part of the open, informal and diverse culture that makes us who we truly are.

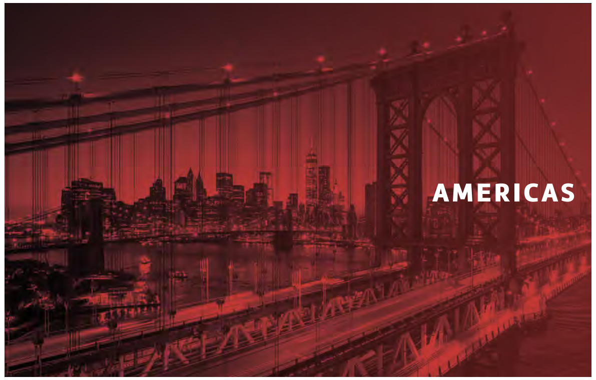
What we do

We are a technology company operating in the financial ecosystem, using our proprietary technology platform to quote bid and ask prices in thousands of financial products. We also provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs). We do this globally, enabling investors to buy and sell ETPs efficiently by quoting bid and ask prices under virtually all market circumstances. In recent years we have commenced the diversification of our market making activities into other asset classes, such as Foreign Exchange (FX).

Products

Exchange-traded products (ETPs)

ETPs, the main products that we trade, are often compared to mutual funds largely because they are both baskets of shares, bonds, or commodities. However, that is where the similarity ends. Unlike most mutual funds, the majority of ETPs simply track an index without trying to beat such indices. ETPs have open-ended fund structures rather than



closed-end and, unlike mutual funds, can be continuously bought and sold on trading venues during trading hours and off-exchange at all times.

ETPs provide investors with exposure to a wide variety of underlying assets, ranging from ETPs that replicate the composition of a particular equity index, to those that provide investors with exposure to assets in specific sectors or countries, to commodities, or to currencies. ETPs also enable investors to create and manage diversified investment portfolios in an efficient manner, as well as enabling them to switch exposures at any given moment during trading days. There are broadly three main categories within ETPs in which we trade:

Exchange-traded funds (ETFs)
This category is the most traded, when compared to ETCs and ETNs. ETFs derive their value from shares or bonds held in proportion to an index. For example, a Euro Stoxx 50 ETF would hold the same shares as the Euro Stoxx 50 index, in approximately the same proportions. Fixed-income ETFs derive their value from a portfolio of debt instruments. For example, bonds included in the Barclays US Treasury 1-3 Year Term Index. ETFs are the most widespread among ETPs as measured by AuM.

Exchange-traded commodities (ETCs)
ETCs typically derive their value from a commodity index, such as the Bloomberg Commodity Index, although in some cases they derive it from just a single commodity, such as gold or oil, or a certain currency. For example, the SPDR Gold Shares ETC tracks the value of physical gold. ETCs may hold physical assets, but exposure can also be held through derivatives of the underlying commodity, in combination with cash.

What is an ETP?

What is an ETP?

- ETPs are passive investment vehicles
- An ETP derives its value from an underlying portfolio of securities
- An ETP is listed on an exchange

Key types of ETPs

- ***Exchange Traded Funds (ETF):*** Investment vehicle that tracks an index or a basket of listed securities
- ***Exchange Traded Commodities (ETC):*** Investment vehicle designed to track single commodities or commodity index
- ***Exchange Traded Notes (ETN):*** Unsecured, unsubordinated debt securities issued by a bank. Returns based upon on the performance of the underlying securities tracked

Key advantages of ETPs

- Transparent fund structure with disclosed holdings and weights
- Low management fees given passive investment approach
- Low trading costs
- Continuously tradable on the secondary market

Illustrative structure of an ETP

Underlying securities
Total value of securities = $200

ETP structure
Total value of ETP fund = $200

ETP share
(quoted on-exchange)

Exchange-traded notes (ETNs)
ETNs are types of unsecured, unsubordinated debt securities issued by an underwriting bank. The returns of ETNs are based on the performance of the index being tracked. For example, the iPath S&P 500 VIX Short-Term Futures Index TR ETN would track the S&P 500 VIX Short-Term Futures volatility index.

The ETP ecosystem
The ETP ecosystem is made up of a number of participants who together make ETP investing and trading possible. These include investors, ETP issuers, exchanges and other trading venues and authorized participants, who can also act as liquidity providers, such as Flow Traders. The ETP ecosystem can be further divided into two markets: the primary market and the secondary market.

Primary market
Interaction in the primary market takes place between authorized participants (APs) and the issuers, who either issue or cancel ETPs. This is done in reaction to market demand and is called the creation and redemption process. APs can create ETPs with the issuer by transferring the underlying assets (or cash equivalent) to the issuer in return for a corresponding number of newly issued ETPs. This increases the ETPs' Assets under Management (AuM). In this way, the issuance of ETPs through APs provides the issuers with access to a broad investor market without having to support a complex and costly trading infrastructure which would be non-core to their business. Redemption is the reverse of the creation process: the AP transfers ETPs to their issuer in exchange for the underlying assets (or a cash equivalent). The issuer then cancels the ETPs it received. This decreases the ETPs' AuM.

Secondary market
The secondary market is where ETP trading takes place between market participants, similar to the trading of ordinary shares, at market-determined prices. Secondary market participants include institutional and retail investors, liquidity providers and APs. Secondary markets include exchanges and other automated trading venues, as well as off-exchange trading between market participants such as large institutional investors.

Fixed income, currency and commodities (FICC)
Leveraging the scale and capabilities of our ETP proprietary technology platform, Flow Traders has been able to also trade an increasing volume of the underlying asset classes in 2019 mainly in FICC.

Flow Traders started providing liquidity in FX as a separate asset class during 2018 and we have invested further in the business in order to drive growth in 2019. We provide liquidity in an increasing number of FX pairs on spot and futures in the EMEA market to a fast-growing number of counterparties on an expanding number of platforms.

In commodities, Flow Traders has always been active in the ETP market as well as the underlying asset classes. Moreover, we hold physical storage as collateral with our prime brokers if physical delivery is demanded by counterparties.

In Fixed Income, we have seen tremendous ETP market growth. Flow Traders has a strong position in this market, particularly in EMEA and in the US. During 2019, we sought to further optimize our trading proposition in Fixed Income ETPs by also trading the associated underlying instruments.

Flow Traders also trades cryptocurrency, which we consider to be a key part of our FICC proposition, while still a limited part of our overall business. We provide liquidity in certain crypto assets, given our position as an AP in the first listed crypto ETP in Switzerland. The capabilities of our trading infrastructure are such that we now also offer OTC flow to institutional investors in certain crypto assets.

Flow Traders expects that this diversification will lead to a larger contribution of underlying asset classes to the total value traded. It will also improve our ETP trading capabilities and improve our ability to grow NTI structurally. Ultimately, Flow Traders' goal is to become a one-stop shop liquidity platform in financial markets globally.

Liquidity Provider

Leading liquidity provider

Flow Traders has two main roles in the financial ecosystem. The first is as a liquidity provider. In this role, we help maintain and improve the overall transparency and efficiency of the ecosystem, by quoting bid and ask prices for financial products like ETPs, FX and other products on trading venues, as well as off-exchange to institutional investors, which market participants can trade against. By providing liquidity we make it easier for investors to buy and sell financial products at a price that should reflect the (relation with the) current price of the underlying asset, and contribute to lower trading costs.

Another role we play in the ETP landscape is as an Authorized Participant (AP). We have AP-agreements in place with all the major ETP issuers. These agreements link the primary and the secondary ETP market and allow us to either create or redeem the ETPs and optimize our role as a leading liquidity provider in ETPs.

Pricing

Pricing ETPs accurately

Being able to accurately price the ETPs that we provide liquidity in is vital to the success of our business. Get it wrong, and we risk not winning the trade or losing money due to bad prices. Our experience in establishing the pricing relationship between the ETPs and the underlying assets in a variety of market conditions means we can offer competitive bid and ask prices, while still covering our trading costs and locking in transaction profit. We achieve this using pre-set hedging strategies, which, when possible, instantly reduce our market exposure, creating a market-neutral position. Hedging strategies like these enable us to trade ETPs in such a way that our Net Trading Income is virtually unaffected by any price movements of the underlying or related securities.

Cutting edge proprietary technology platform

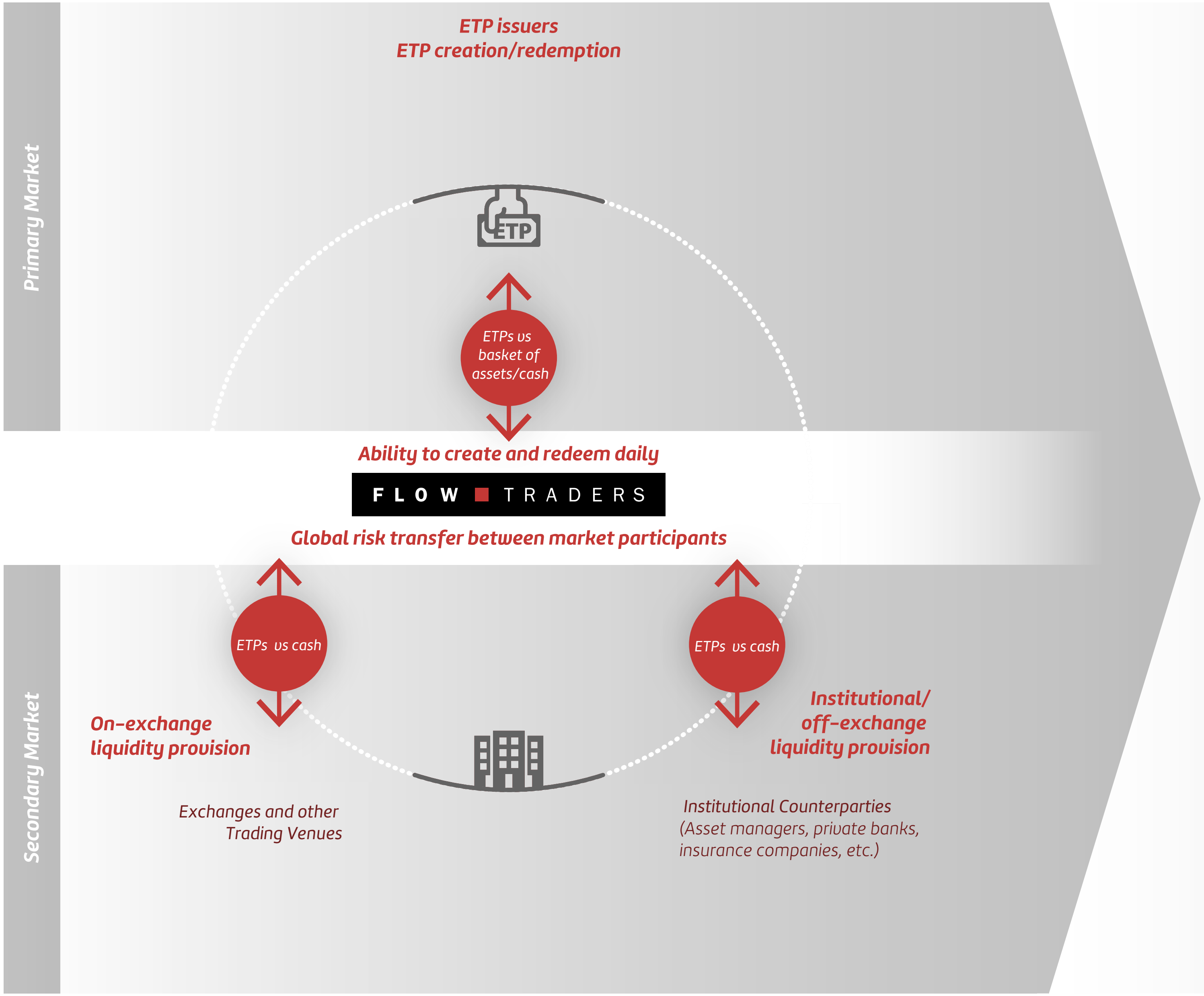
Developing software in-house

As noted, we are a technology company operating in the financial industry. As such, technology lies at the heart of our business, enabling us to provide liquidity in a variety of market environments across the globe. We trade using proprietary and scalable software with the vast majority of our applications developed in-house. These include pricing and trading software, market data processing tools, pre-trade risk controls, and other risk and compliance tools. This is the main reason that our technology department makes up over 40 percent of our total staff and is our largest employee group.

One of our software platform's core features is its modular design, which allows us to rapidly test and implement ongoing enhancements. This also means we can easily and cost-effectively expand our coverage of securities, asset classes, and geographical markets as we grow the business.

In 2019 our total technology expenses increased by 12 percent versus 2018 as we invested further in the trading business. In 2019 our technology expenses represented 40 percent of our total fixed expenses. In 2019, the number of technology FTEs grew to 204 from 162, also confirming our overall growth.

Flow Traders is a Critical Component of the ETP ECOsystem.



- Facilitating primary issuance through Authorized Participant (AP) agreements
- Providing liquidity to the global ETP market, fostering primary issuance and secondary trading
- Aggregating flow from all market participants
- Increasing secondary market efficiency through global interconnectivity and efficient pricing

Share information

Flow Traders N.V. shares are listed on Euronext Amsterdam and are included in the Amsterdam Midcap Index (AMX), carrying a weight of 1.64 percent. Flow Traders shares are also included in several other indices issued by leading index providers, such as MSCI (MSCI Netherlands IMI 25/50 Price Return USD Index), FTSE (FTSE Developed ex US All Cap Net Tax Index) and Euronext (Euronext AEX All-Share Index, AEX All-Tradable Index, Euronext 150 Index, AEX Financials Index).

Introduction and key figures

KEY SHARE INFORMATION

ISIN	NL0011279492
Bloomberg ticker:	FLOW NA
Reuters ticker:	FLOW.AS
Number of shares outstanding	46,534,500
Free float*	75%
Market cap at year end (€)	1,002,353,130

Source: Euronext as per 31 December 2019.

* *Official Euronext definition.*

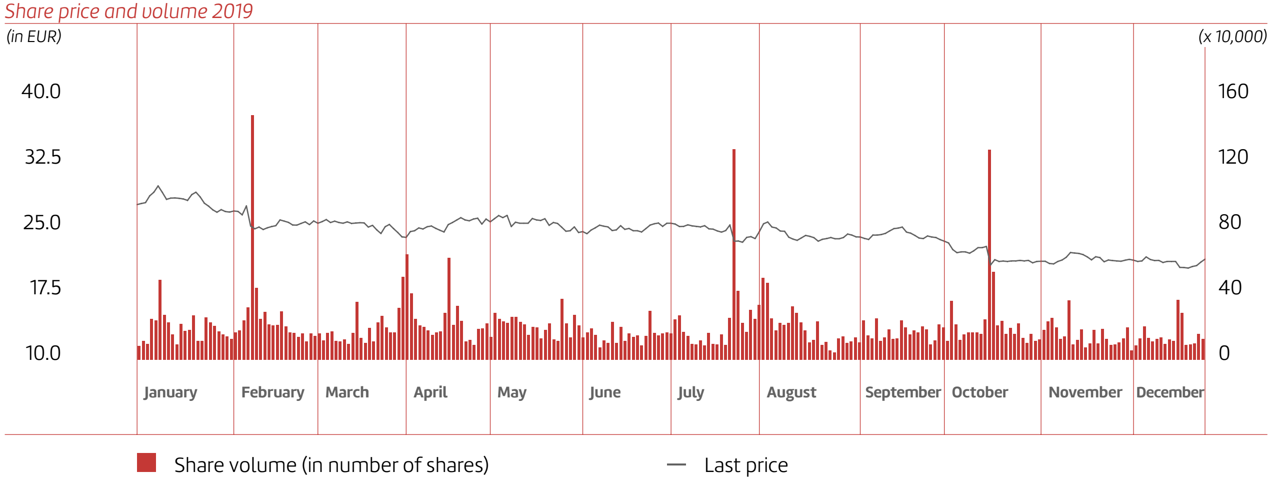
Performance and key figures

KEY FIGURES PER SHARE

Earnings per share	€1.15
P/E ratio	18.6
Interim dividend per share	€0.35
Final dividend per share	€0.55
Total dividend per share 2019	€0.90
Dividend yield	4.2%
Year-end share price*	€21.54

* *Source: Euronext, based on year-end closing.*

Share price and volume 2019



VOLUMES

Total annual volume	51,307,628
Daily volume - high	1,496,438
Daily volume - low	45,696
Average daily volume	210,433

Source: Euronext.

SHARE PRICE PERFORMANCE

Opening price 2 January 2019	€27.80
Annual highest price (closing)	€29.94
Annual lowest price (closing)	€20.54
Closing price 31 December 2019	€21.54

Source: Euronext.

Analyst coverage

The following analysts cover Flow Traders as of 31 December 2019:

Institution	Analyst
ABN AMRO	Ron Heijdenrijk
Bank Degroof Petercam	Michael Roeg
Exane BNP Paribas	Gregory Simpson
ING	Albert Ploegh
KBC Securities	Thomas Couvreur
Kempen	Matheus de Wit
UBS	Michael Werner

Financial calendar

1Q Trading Update	21 April 2020
Annual General Meeting	24 April 2020
Ex-dividend final dividend 2019	28 April 2020
Record date final dividend 2019	29 April 2020
Payment date final dividend 2019	5 May 2020
1H Results release	14 August 2020

Dividend policy and dividend proposal

Dividend policy

Flow Traders intends to pay dividends annually in two instalments, with a target aggregate dividend pay-out ratio of at least 50 percent of the company's net profits realized during the financial year. The Management Board may decide, with the approval of the Supervisory Board, that the profits realized during a financial year will fully or partially be appropriated to increase and/or form reserves.
A distribution of (interim) dividends is subject to applicable rules and regulations, the Articles of Association of the company, the By-Laws of the Management Board, and the By-Laws of the Supervisory Board.

It is anticipated that our interim dividends will be declared and paid following the publication of our results for the first half of each year. However, there can be no assurance that in any given year a dividend will be proposed or declared.

The payment of dividends, if any, and the amounts and timing thereof will depend on a number of factors, including legal and regulatory requirements, future profits, financial conditions, general economic and business conditions, future prospects and such other factors as the Management Board, subject to the approval of the Supervisory Board, may deem relevant. Our intentions in relation to dividends are subject to numerous assumptions, risks and uncertainties, many of which may be beyond our control.

The Management Board, subject to the approval of the Supervisory Board, may decide to make allocations to reserves and therefore decides how much of the profit will be allocated to reserves. The profits remaining shall be at the disposal of the General Meeting.

Reserves and dividend proposal for the financial year 2019

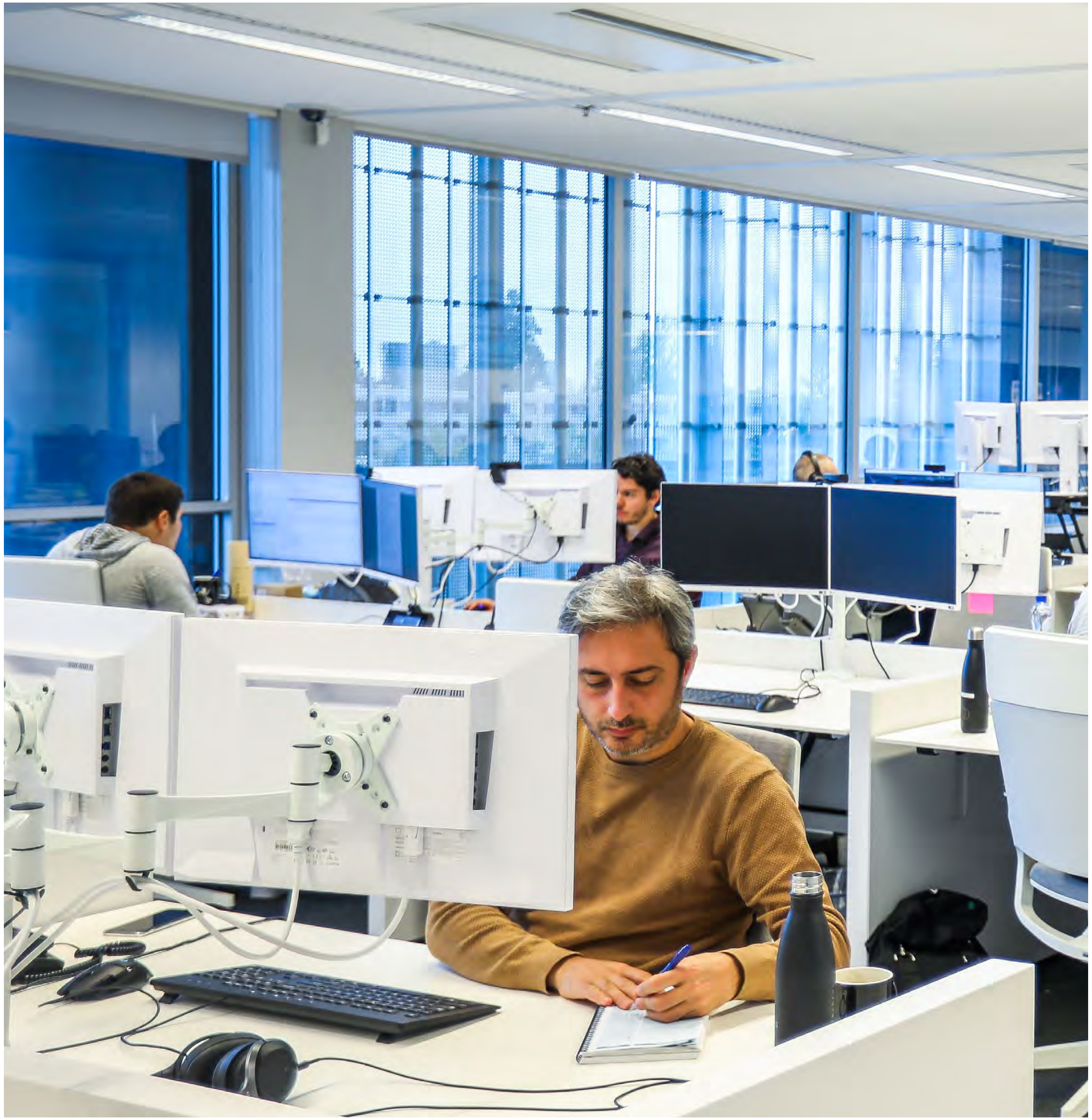
Pursuant to Article 24.1 of the company's Articles of Association, the Management Board, with the approval of the Supervisory Board, has decided that of the profit for 2019 (totaling €53.1 million), an amount of €11.2 million shall be added to the reserves. The remaining amount of €41.9 million is at the disposal of the General Meeting.

It is proposed to the General Meeting that a total cash dividend of €0.90 per share will be paid out to shareholders for the financial year 2019, subject to a 15 percent dividend withholding tax (dividendbelasting). An interim cash dividend of €0.35 per share was paid out on 15 August 2019. This means that the final cash dividend proposal to the General Meeting is €0.55 per share. Subject to approval by the General Meeting on 24 April 2020, shares will trade ex-dividend on 28 April 2020. Payment of the final dividend is anticipated to be made on 5 May 2020. Please also refer to the Dividend Policy section in the chapter Our governance.

Investor Relations

Investor Relations (IR) focuses on optimizing the communication and understanding between Flow Traders and the investor community, its advisors and the analyst community. By attending broker conferences, organizing roadshows to institutional investors after Half Year and Full Year results, organizing investor conference calls, analyst days and the Annual General Meeting, Flow Traders further optimizes the information stream to the market.
Flow Traders has a corporate website (www.flowtraders.com/investors) where its financial calendar, press releases and dividend policy can be found. IR is the first point of contact for interested investors, shareholders and analysts.

INVESTOR RELATIONS CONTACT DETAILS	
Jonathan Berger	
Telephone	+31 20 799 6799
E-mail	investor.relations@flowtraders.com



Value creation and strategy

We create value in a number of financial and non-financial ways for a variety of stakeholders. Supported by our proprietary technology platform, we provide liquidity in financial products that helps contribute to more efficient markets by lowering overall trading costs, delivering greater execution quality and market transparency. For our employees, we provide a compelling and constantly evolving work environment that enables them to develop to their full potential. We take an active interest in the societies in which we operate, contributing to local learning initiatives and charities. And we care for our investors by focusing on growing profitably and providing dividend returns.
Our value creation model shows how we create value and the impact our business has on our stakeholders.

Our ambition and strategy

Our strategic ambition
Our ambition is to become a one-stop shop liquidity platform in financial markets globally.

Our market
We operate in a highly competitive market that is changing rapidly. It is characterized by heightened regulation and an ever-increasing focus on technology. Yet the market's core function remains the same: transferring risk between market participants. This is where we add value. Our focus will continue to be on providing liquidity in more and more products in the financial markets with still a focus on ETPs.

Our business principles
Our business principles are being flexible, agile and focused on continuous improvements. To be successful, we recognize that we need to perform well across all areas of the business. Achieving this involves diligently studying the markets and our responses to them, and using our resources where they have the greatest impact.
The outcome of this process defines whether or not we have a competitive edge.

Our strategy
We will achieve our strategic ambition by continuing to grow our business and diversify into other asset classes.
This should result in increasing our Net Trading Income (NTI), while maintaining our desired risk profile, controlling costs, and securing and attracting the right talent. Increasing our NTI involves increasing the product of volume and the net margin we capture per trade, where volume is the value of products we trade and the net margin is the margin we capture per trade after the corresponding exposure has been hedged. Our risk profile is characterized by having no directional opinion on the market. In other words, our results do not depend on the direction of market prices.
By expanding our presence as a liquidity provider in both the ETPs and underlying asset classes, Flow Traders can maximize the growth of its NTI.

By growing our presence in the global financial market as a liquidity provider, we build a foundation to support our long-term growth trend. By growing our presence in underlying asset classes, we expect to improve our performance in the future, including during those periods where the trading activity in the market may slow down.

Input	Value creation	Output	Impact

Input

Human & intellectual capital
- Employees
- Training
- Liquidity providing

Financial capital
- Shareholders equity
- Regulatory capital
- Prudent risk management and control

Social & relationship capital
- Counterparties
- Shareholders
- Regulators
- Business partners

Technology & innovation
- Own technology platform
- Connectivity

Value creation

Our business
We provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs). We are diversifying into other asset classes

Strategic pillars
- Pricing excellence
- Strong team-driven culture
- Cutting edge technology platform
- Risk management focus

Our ambition
To be a one-stop shop for liquidity in the global financial markets

Core values
- Open, informal, diverse
- Ownership
- Entrepreneurial
- Team-oriented

Strategic focus
Growth of our business resulting in increasing Net Trading Income

Output and Impact

Markets
- Higher execution quality
- Greater scale and efficiency
- Lower overall trading costs
- Fairer and more orderly, transparent markets

Impact: Positive business environment

Employees
- Highly skilled workforce
- High retention of employees
- Employee engagement

Impact: High quality employment and business opportunities

Financial
- Profitability
- Dividends

Impact: Positive stakeholder environment

Society
- Paid fair taxes
- Societal commitment & charity

Impact: More responsible financial sector

Markets and trends

Our business

In 2019 we had access to more than 180 trading venues in 40 countries around the world. We provide liquidity in over 7,000 ETP listings on- and off-exchange, which is 55 percent of all ETPs globally.

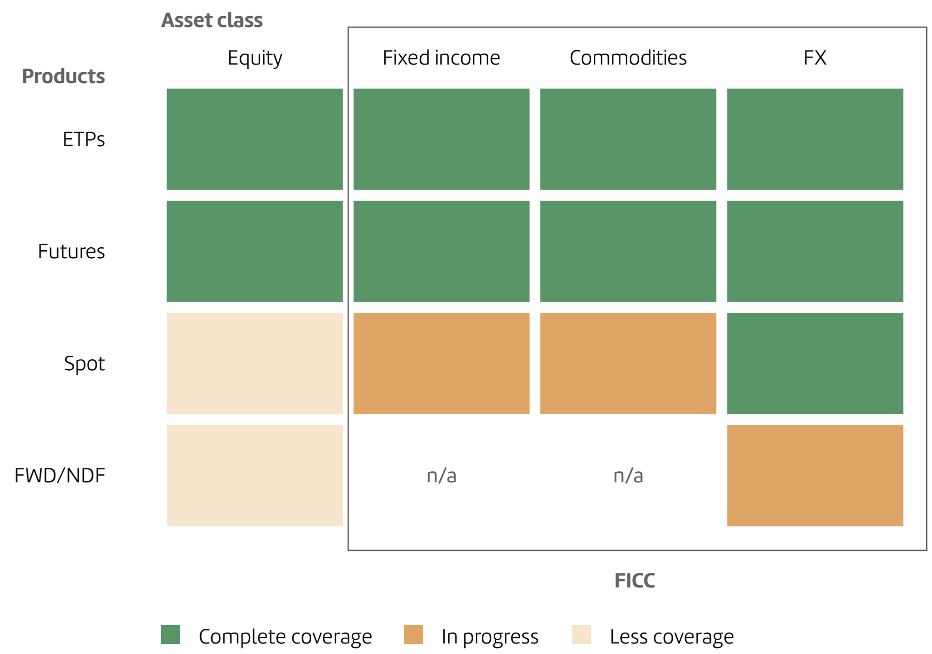
Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to more than 1,300 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others and this number is increasing on an almost daily basis.

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.

During 2019, we continued to implement our diversification initiatives into other asset classes and provided liquidity as a market maker including in FX, Fixed Income and cryptocurrency.

Irrespective of what we trade, as a liquidity provider we generally do not have a directional opinion on the market. In other words, our results do not depend on the direction of market prices. Our 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.

Flow Traders' market coverage



We are not a bank, broker or investment manager and do not have our own Assets under Management (AuM). We also do not develop or make products, do not provide any services and do not have (consumer) clients. Our value chain comprises, among others, of our institutional counterparties, prime brokers and regulators.

The ETP market

The popularity of ETPs has continued to grow in recent years. According to asset manager BlackRock Advisors, global ETP AuM grew from €4,192 billion in 2018 to €5,616 billion by the end of 2019. This growth is expected to continue, as investors continue to invest in low-cost, transparent and easy-to-trade passive investment strategies. This contributes to the long-term value creation of Flow Traders' strategy.

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

Review of 2019

Global ETP markets grew by 34 percent in 2019 measured in AuM, driven again by the popularity of equity and fixed income ETPs. Annual global inflows of ETP AuM were €499 billion in 2019 (2018: €450 billion – source BlackRock Global ETP Landscape December 2019), resulting in the second best year after 2017. Overall trading activity in 2019 reduced given lower volatility levels and a trend towards ETPs becoming a more 'buy and hold' investment as they become a more established part of the asset management product universe.

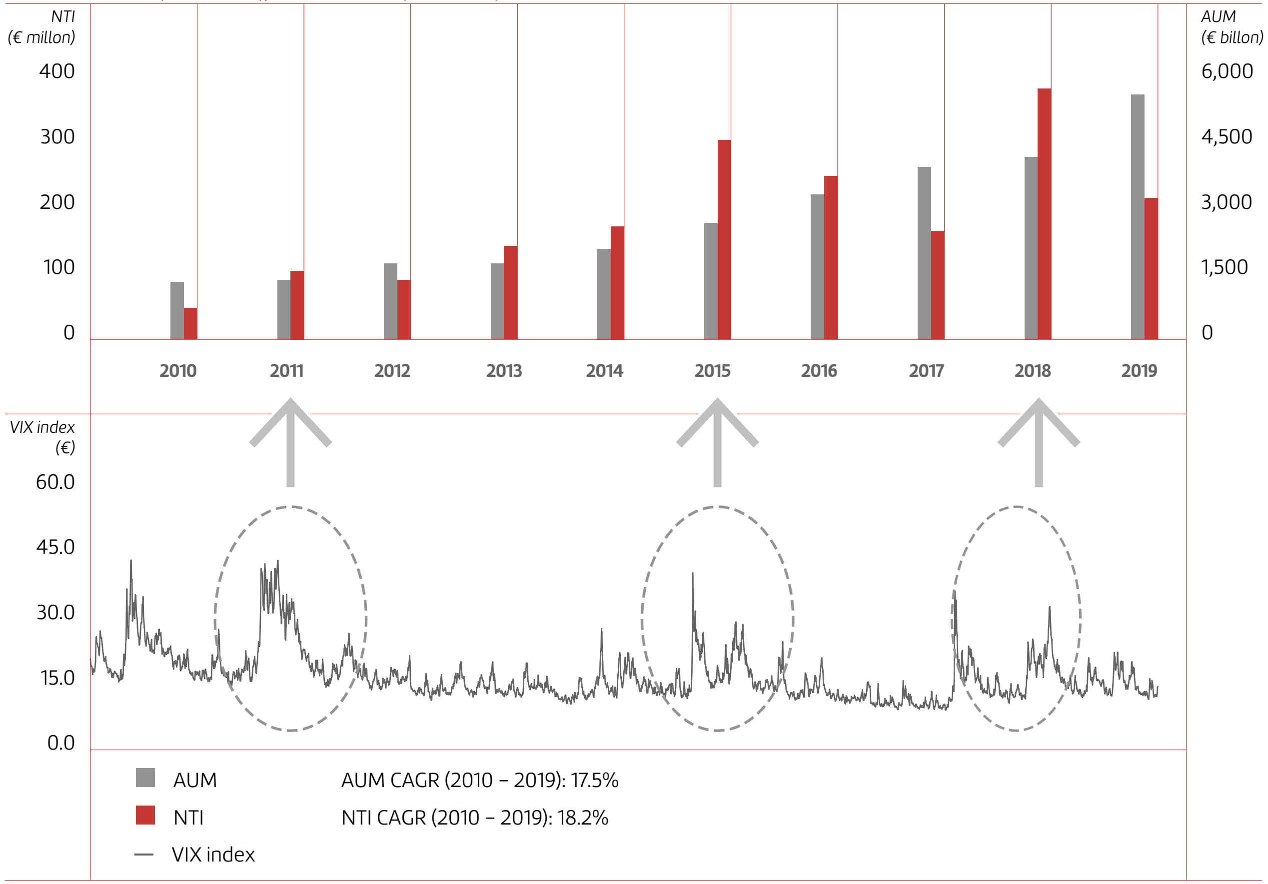
Global coverage

Following Flow Traders' recent expansion, we trade globally from five offices: in Amsterdam, Hong Kong, London, New York and Singapore. 2019 was the first year that Flow Traders ETP value traded surpassed the €1 trillion mark. The largest ETP market is still in the United States, where total ETP value traded (on-exchange and off-exchange) was €20.1 trillion in 2019. Our New York office's total ETP value traded was €452.4 billion in 2019, an improvement versus 2018 and, for the second year in a row, a record year for Flow Traders US since inception. With institutional trading gaining further momentum in 2019, Flow Traders US continued to grow its overall presence.

The EMEA ETP market had a total ETP value traded of €1.5 trillion in 2019. Our total ETP value traded from our Europe offices was €514.9 billion in 2019. We remained the number one liquidity provider in ETPs in EMEA and managed to grow our on- and off-exchange presence further.

In APAC, the ETP market remained fragmented, with large differences in trading volumes, trading costs, regulation and maturity across the financial markets. Volumes traded in the APAC region remained dominated by the top-10 most traded

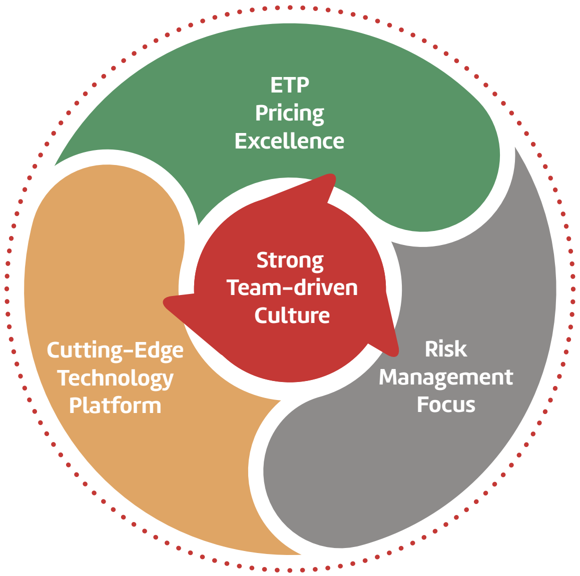
Flow Traders' NTI (in € million), Market's AUM (in € billion) and VIX index since 2010



ETP products, as those 10 determine roughly 55 percent to 65 percent of the total market volumes. The total ETP value traded (on-exchange and off-exchange) was €2.0 trillion in 2019, including China, while the total ETP value traded at our APAC offices was €42 billion. We completed the consolidation of the dealing rooms in APAC and trading has been optimized by moving all trading desks for on-screen liquidity provision to Hong Kong. This will also help facilitate future growth. Flow Traders had a successful year in 2019 in APAC in terms of trading volumes, confirming the contribution of investments made in previous years in the region.

ETP market remains high growth market

We still see significant opportunities for growth in the ETP market, driven by the widely expected expansion of this industry in the near future. This is due to a number of changes within the asset management industry, including:



- the continuing shift to global electronic trading, which cuts costs and maximizes efficiency and transparency;
- a shift in asset growth from active strategies to more cost-effective, passive strategies;
- increasing ETP adoption globally among institutions, intermediaries and retail investors;
- long-term shifts driven by regulators looking to increase financial stability and transparency.

To take advantage of this expected growth, we aim to expand our presence further in all areas of ETP trading in all regions.

In Europe we continue to grow our presence on different venues and grow the number of counterparties. We have established a connection with virtually all ETP issuers active in Europe and we continued to grow our institutional counterparty-base substantially in 2019. MiFID II developments continued to have a beneficial impact on our counterparty base, as investors increased their focus on best execution, regardless of research access. With the expansion of our offices into London and the launch of liquidity provision in other asset classes, we have the building blocks in place to further increase our presence in Europe in 2020.

In the Americas, our ETP value traded continued to grow substantially in 2019, but remains relatively limited compared to the overall market size. We believe there is significant growth potential in Fixed Income ETFs, developed market equity ETFs and institutional trading. Institutional trading continued to gain mass in 2019 and is expected to grow further in 2020. We will continue to expand the number of products traded, the number of venues we trade on and the number of counterparties we are connected to in the US.

In Asia we continue to increase our participation in the markets where we are already active, and expand into new markets. At the same time, we remain focused on markets that are potentially opening up, such as China, by capitalizing on our experience and increasing our business development capacities. We have also been increasing our footprint and visibility in the region, supporting our institutional trading and reaffirming our role in the regional ETP ecosystem.

In general, we believe we can accelerate growth in all regions in the coming years, as electronic trading continues to evolve and we increasingly leverage on our technology and trading knowledge to progress our diversification into other financial products. In terms of the ongoing discussions on regulation, we continue to anticipate changes that further support a level playing field.

Our performance

2019 was relatively subdued from a market trading activity standpoint and volatility remained relatively low through much of the year. In 2019, our NTI of €216 million (2018: €383 million) reflected these market circumstances.

Financial overview

Net Trading Income

2019 was relatively subdued from a market trading activity standpoint and volatility remained relatively low through much of the year with the VIX index never surpassing the 25 point mark. Trade talks between the USA and China as well as Brexit developments were the key macro-economic topics yet did not yield significant trading activity. On the other hand, both equity and bond markets received considerable support from central bank actions in 2019, particularly following the rate cuts by the Fed and the ECB.

In 2019, our NTI was €216 million (2018: €383 million) as markets normalized and became more subdued following the exceptional circumstances seen in February 2018. Flow Traders' total value traded in 2019 grew to €4.0 trillion (2018: €3.6 trillion), of which €1.0 trillion (2018: €899 billion) was traded in ETPs. The rest was traded in related financial products to facilitate competitive pricing in ETPs. In contrast, market ETP value traded fell by 7 percent to €23.6 trillion, (2018: €25.4 trillion) as overall market activity levels reflected the low volatility environment seen for much of 2019.

In the fourth quarter of 2019, Flow Traders reported NTI of €46.1 million which reflects an overall subdued market environment with reduced volumes and lower levels of volatility as well as weaker than expected trading in the US. ETP value traded declined five percent quarter-on-quarter, as velocity declined.

Market volatility

In 2019 market volatility declined from the levels witnessed in 2018. The main volatility took place in January and August with average VIX levels of 20 and 19 respectively for those months. Otherwise market volatility slowed down particularly towards the end of the year. Outside of these months, the VIX fell back to levels around the low-to-mid teens.

Operational expenses

Our fixed operational expenses developed well within the guided fixed cost growth rate of maximum 15 percent annually. While we continued to invest in our people and technology to ensure future growth, with our FTEs growing 18 percent to 513 at year-end 2019, we also improved efficiency and maintained a tight control on execution and process management. The additional FTEs were the main contributor to the 10 percent growth in fixed operational expenses. Lower NTI and the growth in fixed operational expenses contributed to an EBITDA margin in 2019 of 36 percent (2018: 52 percent).

Capital base

During the year we continued to maintain a strong, stable capital base, comfortably exceeding both our regulatory and prime broker capital requirements. We paid out a €0.35 interim dividend in August 2019 and propose to pay €0.55 as a final dividend over 2019. Over the course of 2019 we therefore aim to return a total of €0.90 through dividends to our shareholders, which represents a 78 percent dividend pay-out ratio.

As at 31 December 2019, our regulatory capital requirements under CRR were €154 million. As Flow Traders' capital was €287 million, this resulted in an excess capital position of €133 million.

Growth

We continued to grow our team, strategies and infrastructure in 2019. We increased our institutional counterparties globally to over 1,300 and increased the number of venues connected to 187. To facilitate this growth, we continued to grow the business during the year across all regions, resulting in an increase in the number of FTEs to 513 by year-end (2018: 436).

Shared value

Flow Traders was founded more than 15 years ago, and in that time we have developed an innovative and entrepreneurial spirit that enables us to grow and explore new markets. We recognize that with this growth come responsibilities that go beyond our core business, and that our activities influence the society in which we live and operate.

At the same time, society has a very real impact on our business and operations. Both the Management Board and the Supervisory Board pay close attention to a wide variety of developments and trends that could pose either a risk or an opportunity. One example is the geopolitical risk that could accompany a no-deal Brexit. Another is the opportunity that comes with the shift to digitalization, which is helping make financial products and services more widely available to investors across society.

For us Corporate Social Responsibility (CSR) is about creating shared value. To better help manage our impact and our need to create shared value, we have divided our CSR focus across four main areas: Economy, People, Environment and Society. We have also connected these four CSR focus areas with three corresponding United Nations Sustainable Development Goals (SDGs) that we believe are particularly relevant for Flow Traders.

Below we outline our priorities within each of these CSR focus areas, and explain our extended efforts to positively impact the world around us. At the end of this chapter we provide more information on our SDGs.

> "For us Corporate Social Responsibility is about creating shared value"

Our CSR focus areas

Economy (SDG 8)
- Providing liquidity to financial markets
- Commitment to fair taxation

People (SDG 5)
- Creating sustainable employment
- Diversity, inclusion and collaboration
- Remuneration

Environment
- Reducing material use and waste

Society (SDG 4)
- Societal commitments and charities
- Stakeholder engagement

1 Economy

Providing liquidity to financial markets

As a liquidity provider we are active on global financial markets and we contribute to transparency in the pricing process, enabling market participants to invest at fair prices and lower costs. We enable thousands of exchange-traded products (ETPs) and other financial products to be traded across the world's markets, by continuously quoting bid and ask prices. As an innovative segment of global financial markets, ETPs have introduced efficiencies and cut investment costs substantially for a wide range of investors, from pension funds to retail investors. Increased liquidity, higher execution quality, and lower overall trading costs are just some of the benefits that liquidity providers, such as Flow Traders, offer through these innovative financial products compared to more traditional investment products. In 2019 we saw an increase in the amount of Environmental, Social, and Governance (ESG) ETFs and ETPs, including ESG products focused on clean/alternative energy investments. As a leading liquidity provider in ETPs globally, Flow Traders naturally trades ESG-related products with its counterparties.

Our role is to enable trading in widely diversified investment products to anyone at any time, allowing end-investors to invest with lower costs and thus produce potentially higher returns. As a result, over the years trading costs have dropped dramatically and access to transparent and inexpensive investment products for anyone has never been more open or efficient. This benefits institutional investors, individual investors and, ultimately, society at large by creating a more open and accessible financial market.

We are not a bank, broker or investment manager and do not have our own Assets under Management (AuM). We also do not develop or make products, do not provide any services and do not have (consumer) clients. Our value chain comprises, among others, of our institutional counterparties, prime brokers and regulators.

Commitment to responsible tax strategy

We are committed to being good corporate citizens, bringing positive value to the communities we operate in. We pay taxes where they are due and subscribe to fair taxation in terms of corporate income tax. We note that taxes are not limited to corporate income tax but also include VAT, wages tax, social securities, dividend withholding tax, stamp duties and other transaction taxes. In 2019 we incurred total corporate income taxes of €12 million which was 19% percent of our taxable income. We believe it is vital to operate a fair, transparent and straightforward tax policy, which is required when running a sustainable business and delivering long-term value to all our stakeholders.

Flow Traders is prudent and transparent in respect of its financial reporting and its relations with tax authorities globally. With regard to financial reporting, conservative accounting principles are being applied and one-offs must occur infrequently and be clearly documented. In the current rapid changing tax landscape and the associated various (new) tax reporting requirements, Flow Traders as a technology enabled liquidity provider strives to automate tax filing processes as much as possible. Flow Traders is a strong believer that by automating tax processes it improves the compliance quality and the insight of the company's tax position.

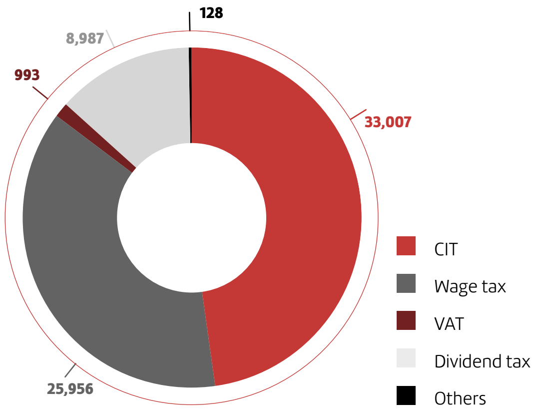
The dialogue we have with stakeholders includes discussions on our financial reporting and tax policy and, as with all stakeholder input, is considered during our decision-making process. However, so far we have not seen a desire among stakeholders for a change to our tax policy. We support transparency initiatives, such as country-by-country reporting and Base Erosion and Profit Shifting from the Organisation for Economic Cooperation and Development (OECD), and frequently assess the impact of such initiatives. We also closely monitor the reporting thresholds under the country-by-country reporting rules, to ensure that we meet our reporting obligations when we fall under the scope of this rule. Where necessary or relevant, we take the appropriate actions to adopt these initiatives in our tax control framework. Further details on our tax policy can be found under Tax Principles on our website. The tax principles also serve as KPIs throughout our performance measurement. The tax function within the company will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of the tax consequences.

We have good standing relationships with the tax authorities in each region in which we operate. We proactively manage our relationship with the tax authorities with the aim of minimizing the risk of challenge, dispute or damage that could have an impact on our credibility. We concluded a horizontal supervision agreement with the Dutch Tax Authority (horizontaal toezicht) with a view to further strengthening our transparent and professional relationship with the tax authorities. Tax laws, rules and interpretations are continuously subject to a changing social view towards tax and we cannot be certain of continued benefit from certain tax regimes, such as the FSI Schemes in Singapore and innovation box regime in the Netherlands. Given the complexity of the continuously changing tax legislation, and the fact that this may create uncertainty for Flow Traders, we obtain independent external tax advice through reputable tax firms or, when appropriate, approval is obtained from tax authorities on specific material or complex tax matters.

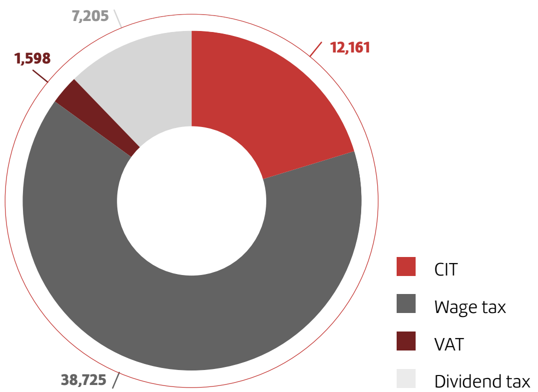
The key participants in the Tax Control Framework are well established and include the Supervisory Board, Management Board, Finance department, Tax department, internal auditors and external auditors. They are able to assess and weigh the risks associated with the tax decision process for our business and stakeholders. Under Flow Traders Tax Control Framework, significant tax positions, including the tax strategy, are always shared with and subject to the approval of the Management Board.

Flow Traders pays taxes where profits are earned in accordance with local tax legislation. We do not use tax haven jurisdictions for tax avoidance purposes and carry out our business through entities in jurisdictions where we factually operate our business. With this simple tax philosophy in place, the company can operate its business in line with its belief that it is part of the corporate social responsibility duty to pay taxes where it operates. In addition to corporate income taxes, Flow Traders pays many other taxes, including but not limited to, payroll taxes and social security contributions on the wages of its employees, value added taxes and property taxes. All these taxes are a significant basis of funding governmental public services. It is our social responsibility to contribute through taxes in the regions we operate in. Each year, our auditor's tax team provides assurance on Flow Traders material tax positions. For more information on our tax position, please refer to note 12 of the financial statements.

Total taxes due 2018 (€ 69.1 million)



Total taxes due 2019 (€ 59.7 million)



2 People

Creating sustainable employment

Since the day we were founded, our goal has been to foster a culture that encourages innovation, entrepreneurialism and risk-awareness, while focusing on drive, teamwork and ownership. By developing talent in-house and maintaining a committed and substantial employee shareholder base, we have strengthened internal bonds and helped create a loyal, forward-looking team. We are proud that we create and maintain high-quality jobs, which result in a stable and trusting working environment that benefits our people, our business, and society.

Attracting talent

Our offices are all growing, and we look to hire as many qualified applicants as we can find. However, our selection standards remain high – our candidates need to go through a number of tests and interviews, with less than 1 percent of applicants for trading positions ultimately receiving a job offer. To find people with the unique skill sets needed for a global liquidity provider we recruit across the globe, advertising and searching across multiple platforms. We also visit campuses in India, Hong Kong, Australia, Singapore, the US, and across Europe, meeting talents in career fairs and workshops. We recruit for all disciplines and look for the best caliber available, regardless of their gender, age, ethnicity, faith or sexual orientation. To take an unbiased decision, in our recruitment process for certain events, certain data, including names and gender, is blacked out.

Graduate traders are typically recruited straight from university. Although our traders have a varied educational background, they share a strong numerical aptitude, which is why a numerical test is an important part of the selection procedure. To experience the world of trading first hand, we invite a select group of students to our Business Courses in our Amsterdam and New York offices. The two-day event is packed with interesting and challenging trading exercises and simulations and includes quantitative and technical cases to mirror the evolving nature of the role. In a similar fashion, we host the Flow Traders Arbitrage Challenge case competition in Singapore and Hong Kong. We also host numerous informal events such as the annual poker tournaments in Amsterdam, Australia and New York, chess tournaments in Amsterdam, and trading competitions in select universities in Canada, the US, Australia, Hong Kong and Singapore.

As a technology enabled firm, we facilitate opportunities for young talent in technology. In 2019 we continued to invest in the Graduate Software Development program, which will enhance the experience of new graduates joining the company in 2020. The program was designed for ambitious, skilled and creative graduates who like to be challenged every day and who strive to make visible contributions to the further growth of our business. Successful applicants join the company's development teams for one year to work on a variety of projects. One of the goals is to improve the proprietary technology platform that enables Flow Traders to trade on exchanges worldwide. The projects cover multiple areas of our technology landscape. After completing their project, participants present their results, led by the Global Head of Technology. Throughout the program, graduates receive continuous support from dedicated mentors, not only in the field of technology, but also in the area of personal development.

Graduate Software Developers are typically recruited straight from university, having Computer Science or Engineering-related educational backgrounds. All graduates share a strong interest in either C++ or Java, which is why a coding test is an important part of the selection procedure. To experience development at Flow Traders first hand, we invite an exclusive group of students to our technology event CODE@FLOW in our Amsterdam office. The two-day challenge gives participants an opportunity to engage in high-tech discussions and technical cases with our specialists in software development and trading, followed by a competitive hackathon.

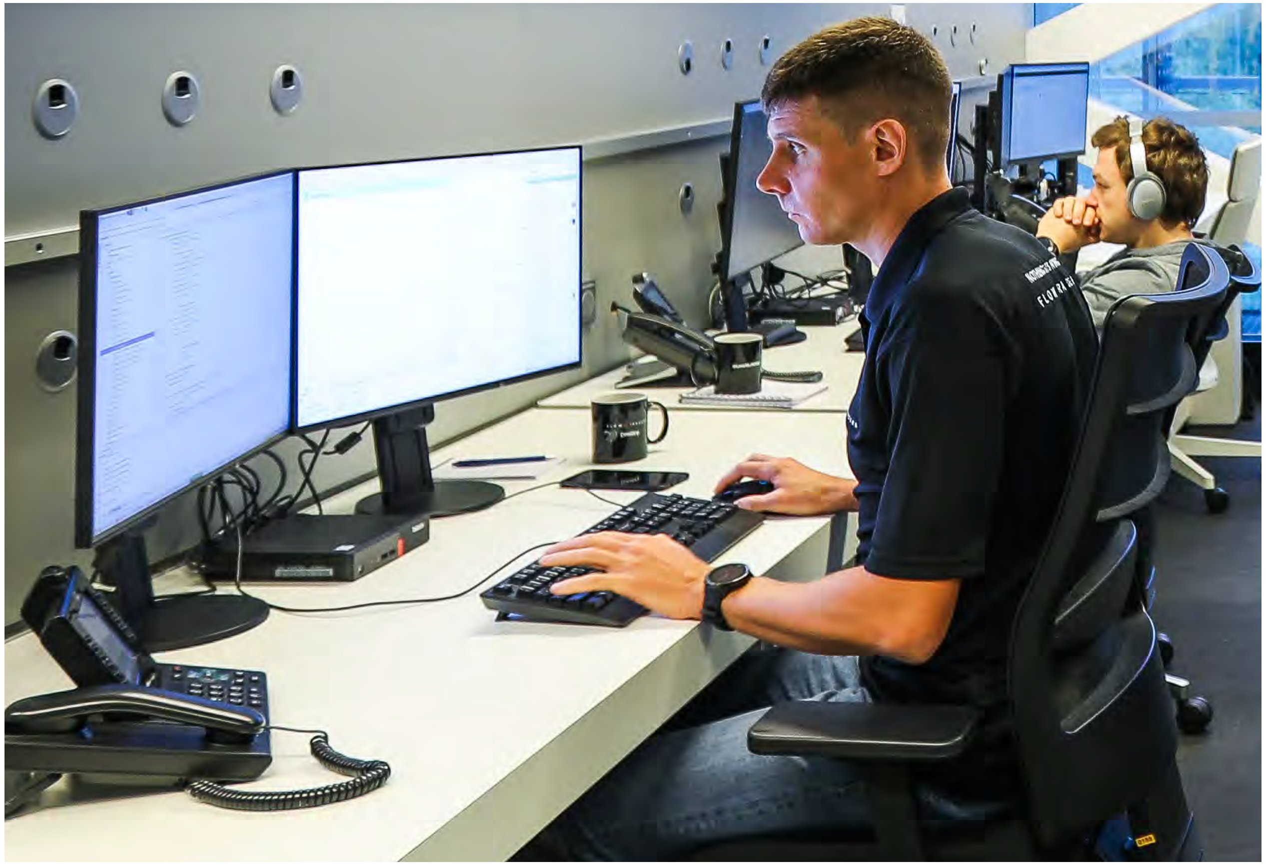
In 2019 we continued hosting, participating in, and sponsoring a variety of events, ranging from in-house days, a special event for woman who are curious about a career in the trading industry and various meet ups. With the opening of our new London branch last year, we have structurally increased our presence in the relevant universities in the UK and held multiple recruitment campaigns.

Healthy working environment

All our offices are designed to provide a pleasant and ergonomically sound place to work. They are flooded with light, have attractive, well laid out interiors and ergonomically-optimized furniture. In addition, to give our people the opportunity to perform at their best, we offer healthy breakfast and lunch options, have our own bar in Amsterdam, Hong Kong, New York and Singapore, and organize great company trips and parties.
In Amsterdam, we also have our own in-house gym facilities and an in-house barber in New York. We not only use our newly-designed bars for after work gatherings, but also for recruiting events and quarterly staff updates. We believe these benefits are important to maintain a healthy and happy workforce and to stimulate bonding and connections beyond employees' direct circle of colleagues, helping to encourage teamwork across the whole company.

Onboarding

We are a fast growing company, which creates good jobs across a variety of departments. In 2019 we welcomed over 139 new hires, resulting in a 18 percent increase in the number of employees year-on-year. Our new colleagues join us from all parts of the world. To make sure they feel at home quickly we offer full relocation support for everyone moving to our offices from abroad. We help with finding a home, applying for a visa and getting to know the local culture. We also offer our international employees based in Amsterdam the opportunity to attend Dutch language classes.



EMPLOYEES PER BUSINESS UNIT/NATIONALITIES ON 31 DECEMBER 2019

	Dutch	American	Indian	British	Romanian	German	Russian	Italian	Chinese	Singaporean	Other	Total
Trading	55	33	10	6	0	8	0	5	7	3	28	155
Technology	35	22	21	13	17	7	15	9	3	2	60	204
Risk & Mid-Office	15	8	1	1	0	1	0	0	2	4	5	37
HR & Facilities	19	7	2	1	5	0	0	0	1	2	4	41
Legal & Compliance	17	5	1	2	0	0	0	0	0	0	5	30
Business Development	14	2	0	0	0	1	0	0	0	1	2	20
Finance	8	3	0	1	0	0	0	0	0	1	2	15
Managing Directors	6	0	0	1	0	1	0	0	0	0	1	9
Supervisory Board	4	0	0	0	0	0	0	0	0	0	2	6
Audit	2	0	0	0	0	0	0	0	0	0	0	2
Total	**175**	**80**	**35**	**25**	**22**	**18**	**15**	**14**	**13**	**13**	**109**	**519**

NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2019

	Amsterdam	New York	Cluj	London	Singapore	Hong Kong	Total
Female	53	13	4	1	6	10	87
Male	293	76	9	4	18	32	432
Total	**346**	**89**	**13**	**5**	**24**	**42**	**519**

REGULATORY COMPLIANCE

Anti-corruption and bribery matters

We have zero tolerance towards bribery and corruption and we actively ensure that no such behavior occurs. No cases of bribery or corruption were reported in 2019.

AT A GLANCE

Culture

Informal 'work hard-play hard' culture

- Casual dress code
- Highly skilled people
- Drive, teamwork, ownership
- Aiming to be the best
- Playing to win
- Enjoying life, organizing great events

Office

Stimulating collaboration and collegiality

- Open office spaces
- In-house bar
- Annual company trips

Lifestyle

Enabling a healthy lifestyle

- Free healthy breakfast and lunch
- In-house gym
- Sports programs and events
- Personal trainers
- Chair massage
- Free drinks and snacks
- Quarterly health checks
- In-house barber

Training and rotation

We invest in our people. For example, we provide them with a range of excellent training programs, benefitting them and the company.
Our new hires in trading and technology start with an intensive introduction program, bringing them up to speed with our way of working and training them in the specific skills they need to do their job well. All junior traders – including those hired for our Asian and the US offices – begin their global training program at our offices in Amsterdam.

And all new employees receive an introduction to Flow Traders through the Flow Academy, including online and on-site training that provides programs in a wide variety of subjects, including culture, technology, regulatory developments, trading for non-traders, and the Whistleblower Policy, including anti-corruption. Through Flow Academy we offer everyone varied training opportunities, aimed at improving function-specific skills or for their own personal development. In 2019, we further expanded the available offerings, with both online and live training session formats.

Many of our managers are 'home-grown', having developed into their positions after a number of years working with the company. They set an example and act as an inspiration for new hires, illustrating the career paths open to them. And to complement self-growth, we also like to give our employees the chance to transfer between our offices and experience life and work elsewhere.

Diversity, inclusion and collaboration

We believe that a diverse workforce, which has open communication channels and the freedom to collaborate and introduce best practices, helps create a richer variety of ideas and can better develop solutions to the challenges we face.

We have a long-standing policy of recruiting and retaining the best talent available and aim to provide an inclusive working environment regardless of the gender, ethnicity, faith or sexual orientation of our employees. We are committed to providing equal employment opportunities to all qualified job applicants. As a result, we employ people from 52 nationalities across our offices. The composition of our workforce tracks the outflow of the education system in the various roles we offer. We strongly encourage women to apply for any function within the firm, particularly when they have a background in fields that traditionally have a higher proportion of male employees. This is supported by our Equal Opportunity Policy (please refer to the chapter Our governance for further information).

We also believe in open communication and encourage collaboration across the company. Everyone within the company has unrestricted, direct access to senior management and are regularly informed and consulted about key developments. People are encouraged to speak their minds to help make Flow Traders a better place to work. Information travels freely and is not restricted unless we need to protect overriding interests, such as those concerning regulations, commercial sensitivities or to protect our intellectual property.

We are a sponsor of Women in ETFs and have co-organized inspirational women events for the Amsterdam Chapter of Women in ETFs.

Remuneration

We believe in sharing our profits with all relevant stakeholders, including our employees. Given good performance, employees from any role and office are entitled to receive variable compensation relative to their contribution to the firm as a whole. We are transparent about how we pay our people and how much we pay them, including management. We have a straightforward Remuneration Policy that permits variable pay only when a profit is made. We are constantly looking for ways to improve our remuneration principles. And because variable remuneration is, to a large extent, deferred, it remains at risk of forfeiture if we sustain a loss. We believe this is the strongest incentive for sustainable, risk-aware behavior for all our staff. In addition, we promote employee shareholding through the Flow Cash Incentive Plan (FCIP), an employee share purchase plan, and the Flow Loyalty Incentive Plan, a loyalty plan (FLIP), particularly at more senior levels. This aligns the interests of the company with those of our employees by creating 'skin in the game'.

Shares held by employees and Management Board members

We encourage our management and employees to invest in Flow Traders, linking the company's long-term success to their personal financial circumstances. Around the time of the IPO, our CEO and a significant number of current and former employees have invested in Flow Traders in the past at fair value, using their own net worth. On 31 December 2019, out of 513 employees, 328 employees are active participants of various employee share plans.

In 2015 a group of employees bought shares in Flow Traders. These shares are subject to a six-year lock-up period. 25 percent of these shares have been released on 1 June 2018 and up to 50 percent of these shares became available for sale on 1 June 2019. The remaining parts of the shares will be released as set out below:

- up to 75 percent of these shares will become available on 1 June 2020;
- all of these shares will become available on 1 June 2021.

In the event of termination of employment during the lock-up period the relevant people must offer their unreleased shares to the company for the lower of (i) the corresponding subscription price paid of €14.44 or (ii) the fair market value of the shares at the time of such termination, and in any event within five business days of Flow Traders having given notice to the relevant participant thereof. The company may at its discretion accept the offer, subject to any applicable restrictions under corporate or securities laws. See also note 25 in the Financial Statements.

NUMBER OF UNRELEASED SHARES*	Shares subject to release	% of outstanding shares
Dennis Dijkstra (CEO)	25,000	0.1%
Thomas Wolff (CTO)	4,500	0.0%
Folkert Joling (CTrO)	43,750	0.1%
Others (excluding members of the Supervisory Board)	346,625	0.7%
Total	**785,437**	**1.7%**

* *Unreleased shares held by current employees and members of the Management Board.*

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

(31 December 2019)		% of outstanding total shares
Dennis Dijkstra	1,020,000	2.20
Folkert Joling	380,000	0.82
Thomas Wolff	29,399	0.06
Total	**1,402,694**	**3.01**

Shares held by members of the Supervisory Board

The co-founders of Flow Traders, Roger Hodenius and Jan van Kuijk, are currently members of the Supervisory Board. The table below provides an overview of the shares indirectly held by them on 31 December 2019 as also reflected in the relevant AFM register.

SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD

(31 December 2019)		% of outstanding total shares
R. Hodenius		
(Avalon Holding B.V.)	4,686,825	10.07
J.T.A.G. van Kuijk		
(Javak Investments B.V.)	5,686,826	12.22
Total	**10,373,651**	**22.29**

3 Environment

Reducing material use and waste

Our activities do not involve the production, use, processing or transport of physical goods. However, that does not prevent us from looking for ways to operate our business sustainably, for example by reducing our material use and waste. In 2019, we stopped using single-use water bottles and provided employees with reusable water bottles. This limited the plastic waste within the company significantly. And when refurbishing our offices, we sought to use more environmentally friendly solutions for lighting and water consumption. We also offer a full lunch to all our employees, healthy and free of charge. We work to limit our food waste as much as possible by responsible purchasing of ingredients and making sure leftovers are consumed the next day.

Many of our employees live reasonably close to our offices and where possible use is made of video-conferencing, limiting travel. No employee is offered a lease-car. Given the nature of our business our CO_2 emission is not seen by us as material. Nonetheless we seek to limit our energy use and CO_2 emissions to take care of our environment.

4 Society

Societal commitments and charities

It is important for us to back initiatives that contribute to society. We support a number of charities, not only financially but also by offering access to our knowledge and experience. Our people are enthusiastic about supporting charitable initiatives, which has always been part of our working culture. We engage in community giving throughout the year, and across our offices. We do this by supporting Flow Traders employees in fundraising activities by giving time or access to our network, by providing guidance to help them have as large an impact as possible, and by contributing financially.

In addition to individual employee initiatives, in 2019 we chose to focus our investment in the areas of children's education and sports. We believe children should have the ability to learn, get a quality education and to be able to play sports. The initiatives we support include:

"Our people are enthusiastic about supporting charitable initiatives. This has always been part of our working culture"

IMC Basis

Since 2018, we have been working together with IMC Basis, a non-profit initiative that helps children from disadvantaged backgrounds to broaden their perspectives on educational and professional possibilities. In 2018, we adopted a primary school located close to our Amsterdam office: OBS de Waaier.

The goal of IMC Basis is to prepare primary school children in groups 7 and 8 to make independent, motivated and responsible decisions when it comes to their education or profession. The target group is children who grow up in low-income areas.

Working with IMC Basis, we have created a program for the children that compliments their regular educational program. In 2019, the program included lessons on technology, animals and nature, and law and politics.

Flow Traders was responsible for creating lessons about topics such as entrepreneurship. In January, eight Flow Traders employees gave entrepreneurship lessons at the primary school. The children worked in teams to create a product they would be able to sell to Flow Traders employees during a market day at our office. The money raised from the market was given to a charity chosen by the children from the primary school. In June, we organized a workshop at Flow Traders. Over the course of a full day, children learned more about healthy meals and the catering industry.

Sporttop

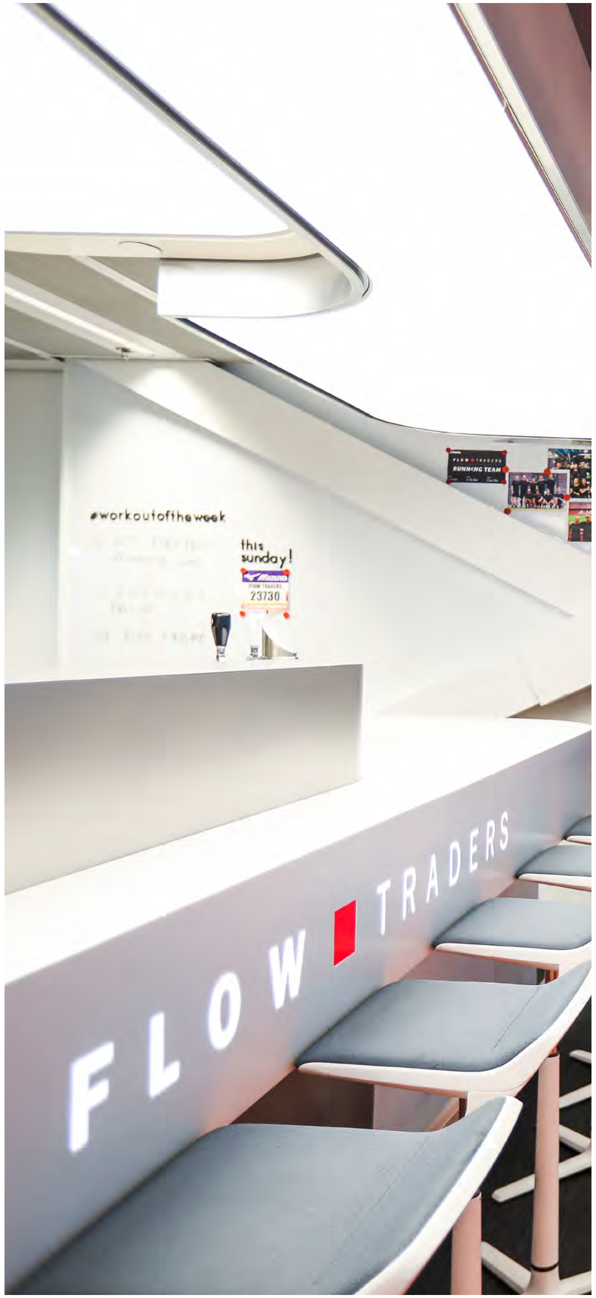
Competitiveness and drive are part of our success, and the success of elite athletes. That is why we teamed-up with Sporttop, a foundation that links young, talented athletes to experienced Olympians and champions. These more experienced athletes mentor the talented youngsters, using their own experience, focusing on the mental mindset rather than the technical aspects of the sport. Together with Sporttop, during the year we hosted a series of inspirational talks for our employees.

Other organizations we sponsored in 2019:

- Women in ETFs
- Stichting Diabetes Onderzoek Nederland
- Stichting Students to Space
- Stichting Heart to Handle
- Make -A-Wish (Christmas Fulfil-A-Wish)
- And a number of other charities

Individual employees also initiated charity support during the year, enlisting the help of their colleagues and the company:

- Flow Traders, together with its employees, supports the annual Sinterklaas toy drive in which employees donate toys that their children no longer play with, new toys they purchase for the cause, or make a financial donation that the foundation uses to buy new toys. These toys are then distributed to children who live in, or close to, poverty.
- Flow Traders employees volunteered their time to Willing Hearts, a secular, non-affiliated charity providing and distributing around 5,000 daily meals in Singapore. Beneficiaries include the elderly, the disabled, low income families, and migrant workers in Singapore.
- For the second year in a row, Flow Traders was a sponsor of the Wall Street Rides For Autism Research. This cycling event brings the financial community together to benefit the Autism Science Foundation, who are committed to funding research to look not only for possible causes but also better ways to treat autism and enhance the quality of life for those affected. Alongside the company support, six employees participated and raised and donated additional funds.
- Flow Traders partnered with Rescuing Leftover Cuisine, Inc. to help fight against starvation amongst New Yorkers in 2019. We donated $3,960 worth of food to local shelters.
- At the end of 2019, all employees were able to donate €300 to a charity of their choice instead of receiving a personal Christmas gift. As a result, more than 85 charitable organizations received donations.
- Our employees also take part in sports events to raise awareness and donations for a range of different charities.



Stakeholder engagement
We enter the public dialogue with full transparency. Our contributions to the regulatory dialogue are typically made public and we are always willing to discuss what we do, and how that impacts the world around us. We have extensive dialogues with interest groups, including those focusing on transparency, institutional and retail shareholder interests, academia and students, local governments, regulators and anyone else who has an interest in what we do, and how we do it. We commit to being approachable and fully transparent with the goal to promote fairness, transparency and the orderly functioning of the financial markets.

Sustainable Development Goals

The United Nations (UN) has identified 17 SDGs that are designed to help bring peace and prosperity for people and the planet as we work collectively towards the 2030 Agenda for Sustainable Development. In 2019 we identified three SDGs that we believe are pertinent for Flow Traders:

SDG 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Within SDG 4, there is one target that we are focused on:

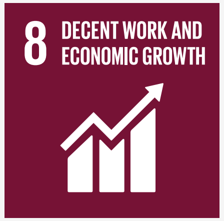
- Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

SDG 5

Achieve gender equality and empower all women and girls

Within SDG 5, there are two targets that we are focused on:

- End all forms of discrimination against all women and girls everywhere.
- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.



SDG 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Within SDG 8, there are five targets that we are focused on:

- Achieve higher levels of economic productivity through diversification, technological upgrading and innovation.
- Promote decent job creation, entrepreneurship, creativity and innovations.
- Contribute to decent work for everyone, including young people and persons with disabilities, and equal pay for work of equal value.
- Promote a safe and secure working environment for everyone.
- Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Outlook

Our aim is to continue to look for ways to strengthen our CSR focus areas. Looking ahead, we will consider carrying out a materiality analysis to identify those topics that are most material for the company and our stakeholders. At the same time we will begin developing a sustainability strategy so that we can prioritize our future sustainability goals.

Going concern

Flow Traders, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the 2019 financial statements. In reaching these conclusions, the Group's financial position as at 31 December 2019 and the strong free cash flow of the Group, the Group's ability to access capital markets and the principal risks facing the Group are taken into consideration.
A commentary on the Group's cash flows, financial position and liquidity for the year ended 31 December 2019 is set out on pages 78 to 119. The Group's capital position is strong and therefore the Management Board believes that Flow Traders is well prepared for the future.

Capital Ratios

Prime Broker Excess Globally	CRR Capital Ratio
€104.3 million	19.6%
2018: €166.3 million	2018: 16.3%

Capital management

The Management Board's policy is to maintain a strong capital base well above the required margins in order to maintain investor, creditor and market confidence and to sustain future development of the business.
The Management Board monitors the return on capital as well as the level of dividends to shareholders while complying with prime broker and regulatory capital requirements.

The available capital in the trading companies is monitored on a daily basis to ensure that requirements are met at all times and sufficient capital is available to support the Group's strategy.

Capital requirements

The Group needs to comply with capital requirements from its prime brokers, as well as regulatory capital requirements. Capital is being managed by the Group in order to maintain net liquidity (which represents the value of our trading positions, principally long and short positions in equity securities, plus cash and cash equivalents) in excess of our various capital requirements at all times, while simultaneously exceed the regulatory capital requirements.

Prime broker capital requirements

The prime brokers require the Group to maintain certain minimum capital levels. Prime brokers use various internal systems to calculate required capital amounts (e.g., the 'internal haircut model' and the 'margin based approach model', both intending to ensure sufficient levels of risk allowances) and have different limits structure, pre-funding possibilities and cut-off times for wiring capital.

The aggregate capital that the prime brokers require is significantly higher than their risk exposure. For example, we may clear two legs of one transaction through two different prime brokers. Even when the transaction is fully hedged (the risk is fully offset), each prime broker will still require capital for such position as if the risk is not being offset. The prime brokers cannot establish that the other prime broker has an offsetting position so they will charge a full capital requirement. This increases the capital they require us to maintain beyond what would be necessary. In addition, margin requirements of prime brokers are conservatively determined by the sophistication of their models and the regulatory requirements, which might not necessarily be efficient in respect of our business model and trading portfolios.

The following table sets out the capital required to be posted with our prime brokers, capital available (Net Liquidation value) and excess liquidity as of the dates indicated:

	At 31 December	
	2019	**2018**
Net liquidity at clearings/prime brokers	362,248	414,599
Cash at bank	5,687	10,054
Net trading capital	**367,935**	**424,653**
Prime broker margin to be posted	(263,559)	(258,300)
Prime broker excess liquidity	104,376	166,353

Regulatory capital requirements

The company and our subsidiary Flow Traders B.V. are subject to separate regulatory capital requirements in the Netherlands and our subsidiary Flow Traders U.S. LLC is subject to regulatory capital requirements in the United States. Flow Traders Asia Pte. Ltd. is exempt from regulatory capital requirements and Flow Traders Hong Kong Limited has a capital requirement in Hong Kong. Failure to comply with regulatory capital requirements could result in sanctions, including citations, fines, limits to our trading and revocation of a regulatory license.

Starting 31 March 2018 the company meets the regulatory requirements of the EU Capital Requirement Regulation (CRR), which prescribes capital and reporting requirements. These regulatory capital requirements are supervised by the Dutch Central Bank in respect of Flow Traders B.V. and the company. The regulatory capital requirement consists of the requirements calculated under CRR, reflecting an 8 percent charge over risk weighted assets, and a Capital Conservation buffer of 2.5 percent, totaling 10.5 percent during 2019. The following graph sets out regulatory capital available, regulatory capital requirements and excess regulatory capital for Flow Traders N.V. as reported in regulatory filings as of the dates indicated.

All available capital is CET1, the quality highest capital, reflecting equity and retained earnings. In addition, as set out in the chapter Remuneration, part of our variable remuneration is fully discretionary and deferred over multiple instalments. If the company faces operational losses these variable compensation elements are reduced or forfeited entirely to cover for such loss. Although this is an important additional capital buffer, this is not reflected in the regulatory capital calculations above.

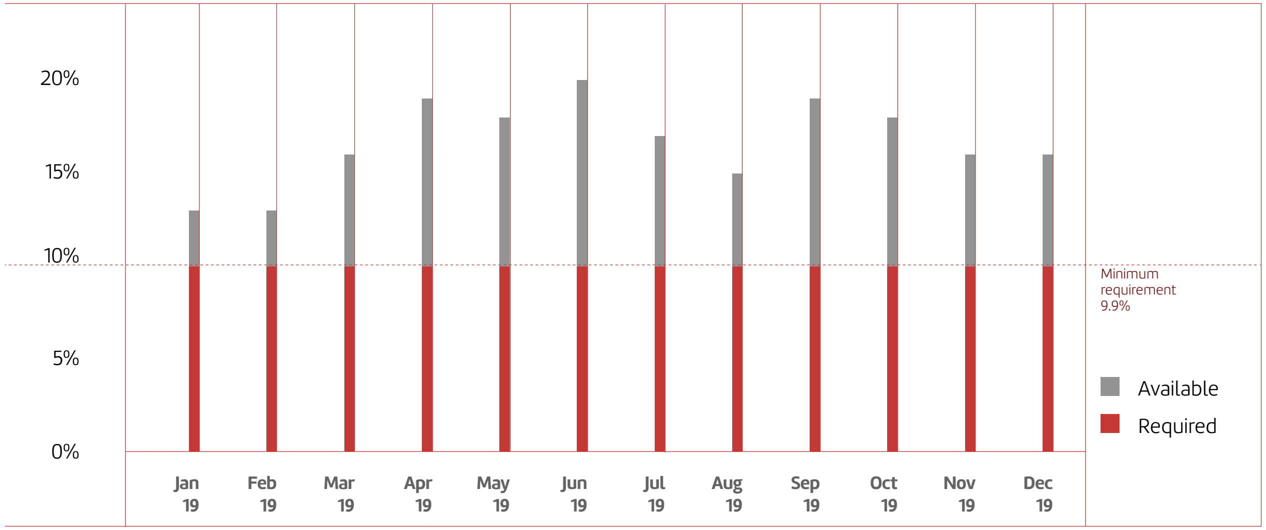
Our Pillar III disclosures pursuant to CRR can be requested through our website www.flowtraders.com around the time the Financial Statements of our Dutch trading entity, Flow Traders B.V., have been approved and published, which is expected to be within the next months.

Management and control

Our global capital position is managed on a daily and intra-day level by the Risk and Mid-Office department. The Risk and Mid Office department checks our positions and capital posted at every prime broker for correctness and compares these numbers with the relevant prime broker or regulatory requirements. Separately, the Finance department prepares a rolling 15-month forecast for our capital positions, every month.

As part of our regulatory capital management cycle, the Risk and Mid-Office departments daily prepares a report that

Capital Requirement Regulation



shows all the group's positions and capital versus the CRR capital requirements. At the end of every quarter the company and Flow Traders B.V. report their capital requirements and corresponding coverage to the Dutch Central Bank.

A final part of the internal risk management and capital cycle is the annual Internal Capital Adequacy Assessment Process. The ICAAP comprises a review of prevalent risks, the capital management processes, the risk management framework and an assessment of capital adequacy and reports this to the Dutch Central Bank annually. The Dutch Central Bank assesses the capital adequacy based on this report.

In control statement

The Management Board is responsible for designing and maintaining an adequate system for risk management and internal control. In order to facilitate this, the Risk and Mid-Office department assessed the controls in this process and reported its findings to the Management Board. These findings have been evaluated by the Management Board and by the Supervisory Board. For a more elaborate explanation of our efforts in this regard, please refer to the chapter Our governance.

On the basis of the above, and in accordance with best practice provision 1.4.3 of the Corporate Governance Code, and with due observance of the limitations stated below, we confirm that to the best of our knowledge:

- The annual report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems (see chapter Our governance);
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see chapter Our governance);
- Based on the current state of affairs and initial prognoses, it is justified that the financial reporting is prepared on a going concern basis (see chapters Value creation and strategy, Our performance and Financial statements); and
- The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (see section Going Concern on page 33).

However, these systems cannot provide absolute certainty that no errors have occurred or that our targets will be achieved, or that a misstatement of Flow Traders' financial statements can be prevented.

Statement by the Management Board

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

- The financial statements present a true and fair view of the assets, the liabilities, the financial position and the results of Flow Traders N.V. and the companies included in the consolidation; and
- The annual report provides a true and fair view of the position as at 31 December 2019 and the state of affairs during the financial year of Flow Traders N.V. and its affiliated companies, whose data have been included in its financial statements, and that the annual report describes the essential risks faced by Flow Traders N.V.

Amsterdam, 27 February 2020

Management Board
Dennis Dijkstra, Chief Executive Officer
Folkert Joling, Chief Trading Officer
Thomas Wolff, Chief Technology Officer

Governance

We operate a two-tier governance structure, consisting of a Management Board and a Supervisory Board. The Management Board is responsible for the day-to-day management of the company, formulating strategies and policies, and setting and achieving our objectives. The Supervisory Board supervises and advises the Management Board. Each board is accountable to the General Meeting for the performance of its duties.

Our governance is reflected in our internal rules and regulations, including our Articles of Association, Management Board By-Laws, Supervisory Board By-Laws, the Terms of Reference of our Supervisory Board committees and our Code of Conduct. These, together with our policies, can be found on our website.

Flow Traders remains focused on long-term value creation, culture and risk management.

Management Board

Flow Traders has a highly experienced management team and a unique team-driven culture. As at 31 December 2019, Our Management Board consists of Dennis Dijkstra (Chief Executive Officer), Folkert Joling (Chief Trading Officer) and Thomas Wolff (Chief Technology Officer). Sjoerd Rietberg has taken the decision not to opt for reappointment as Management Board member and Co-CEO, his mandate ended on 8 May 2019. The company wishes to appoint Britta Achmann as Management Board member and Chief Risk Officer in 2020.

Composition of the Management Board

Dennis Dijkstra

Dennis Dijkstra was reappointed as a member of the Management Board and CEO in May 2019. He joined Flow Traders as Chief Financial Officer in 2009 and was first appointed Co-CEO in January 2014. Dennis leads our Institutional Trading, HR, Recruitment, Legal, Compliance, Risk and Finance departments. He additionally focuses on strategy, internal audit, organizational structure and relationships with issuers, investors, and regulators. Prior to joining Flow Traders, Dennis held various positions at Arthur Andersen, Faxtor Securities, NIBC and Sparck. He currently serves as a board member (treasurer) of APT, the Association of Proprietary Traders in the Netherlands. Furthermore, Dennis is a supervisory director of DMF Investment Management B.V.

Dennis Dijkstra is a Dutch national who holds a Master's degree in Business Economics from the University of Amsterdam.

Folkert Joling

Folkert Joling was appointed as a member of the Managing Board and Chief Trading Officer in April 2018. He joined Flow Traders in 2006 as a trader and was named Head of Trading in 2011 and Global Head of Trading in 2016. As Chief Trading Officer, Folkert Joling has responsibility for the development and realization of our trading strategies, business development, trading processes and our daily trading operations.

Folkert Joling is a Dutch national who holds a Master's degree in Applied Mathematics from Twente University.

Thomas Wolff

Thomas Wolff was appointed as a member of the Managing Board and Chief Technology Officer in April 2018. He joined Flow Traders in 2009 as a senior system administrator. He was promoted to Global Head of IT in 2013 and Global Head of Technology in 2016, leading the development, quality assurance and the technology operations departments. Prior to joining Flow Traders, Thomas worked for nine years at an independent trading software vendor.

Thomas Wolff is a German national who holds a diploma from the FOM Hochschule Frankfurt am Main.

Sjoerd Rietberg was a member of the Management Board and Co-CEO up to 8 May 2019. He did not opt for reappointment and his term as Co-CEO ended on 8 May 2019.

General

Two board members can jointly represent the company, reflecting the four-eyes principle we operate across the company: two persons must sign off on significant business decisions. The Management Board is charged with managing the company, subject to the limitations set out in the Articles of Association and the Management Board By-Laws.

The Management Board is responsible for the continuity of the company and is guided by the interests of the company and its business, taking into consideration the company's long-term value creation and the interests of the company's stakeholders, including our employees and our shareholders. This ensures decisions are made in a balanced manner.

Management has formulated a strategy in line with the long-term value creation. Subsequently, Management is responsible for creating a culture that entails long-term value creation for the company. The Management Board is supervised by the Supervisory Board in this regard. Management is alert to indications of misconduct or irregularities and reviews related policies regularly. In accordance with the Corporate Governance Code, Management has also taken measures to avoid conflicts of interest.

The members of the Management Board are eager to keep their knowledge and skills up to date and spend sufficient time on their duties and responsibilities.

The Management Board is also responsible for identifying and managing risks associated with the company's strategy and activities. Management ensures that the company has adequate internal risk management and control systems in place. Moreover, the Management Board takes account of the effectiveness of the design and the operation of the internal risk management and control systems. The Internal Audit Function is the responsibility of Management. Management maintains regular contact with the Global Head of Internal Audit, responsible for the Internal Audit Function.

Before the Management Board can approve any resolutions entailing a significant change in the identity or nature of the company, it must obtain the approval of the General Meeting. The Management Board also has to obtain the approval of the Supervisory Board for a number of resolutions specified in the Management Board By-Laws.

Appointing and dismissing Management Board members

As set out in more detail in our Articles of Association and the Management Board By-Laws, the Supervisory Board makes a non-binding nomination or proposal to appoint, suspend or remove a Management Board member. Following a nomination by the Supervisory Board, the General Meeting can appoint members of the Management Board by an absolute majority of the votes cast, representing more than one third of the issued capital of the company. Appointment of a different candidate than the one proposed by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company. Management Board members are appointed for a maximum term of four years at a time. According to the Corporate Governance Code, there is no limitation in the duration of their entire service. Any (re)appointment of a member of the Management Board must be approved by the Dutch Central Bank (DNB).

The General Meeting can suspend or remove a member of the Management Board upon a proposal by the Supervisory Board with an absolute majority of the votes cast. If votes within the Supervisory Board meeting tie on a proposed nomination, suspension, or dismissal, the General Meeting shall decide. Suspension or removal of a Management Board member, not proposed by the Supervisory Board, requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company.

The functioning of the Management Board as a whole and the functioning of its members individually is evaluated several times per year. A succession plan for the Management Board is in place and discussed regularly. Moreover, we have a transparent procedure in place for the (re)appointment of Management Board members. Management Board members are appointed for a term of four years and may be reappointed for a term of a maximum of four years at a time. The Equal Opportunity Policy will be taken into account at each (re)appointment.

Our Supervisory Board

Composition of the Supervisory Board

Eric Drok, Chairman
Gender: male
Age: 59 (1960)
Nationality: Dutch
Second term (2019 - 2023)

Eric was appointed Chairman of the Supervisory Board on 9 July 2015. In 2019, Eric was reappointed for a second, four-year, term, expiring in 2023. He serves on the Remuneration & Appointment Committee, the Audit Committee, the Risk Committee and Trading & Technology Committee. Eric has 30 years domestic and international banking experience, including at ABN AMRO's predecessors, ING Bank and its predecessors and Rabobank.
He served as CEO of ING Direct and ING Bank Australia between 2006 and 2009, before becoming a board member of ING Bank Slaski (Poland) until 2011. He then moved to Rabobank, serving three years as Chief International Direct & Retail Banking. He was non-executive board member at several banks in Europe, Africa and Australia/New Zealand.
His other functions include sitting on the Supervisory Board of Euro Pool Systems International B.V. and The Greenery B.V., he is a non-executive board member of Bison Bank in Portugal and a non-executive board member of Aion N.V. in Belgium. Eric is also Operating Partner at HG-Capital in London.

Olivier Bisserier
Gender: male
Age: 52 (1967)
Nationality: French
Second term (2019 - 2022)

Olivier was appointed member of the Supervisory Board on 9 July 2015. In 2019, he was reappointed for a second, three-year term, expiring in 2022. He is Chairman of the Audit Committee, and serves on the Trading & Technology Committee and the Risk Committee. Until March 2019 Olivier Bisserier served as CFO of Booking.com. He has over 25 years of experience in international financial roles. He was a senior manager for PwC until 2000, then had finance director roles and served as European CFO of TNS, an LSE-listed market research group.

Rudolf Ferscha
Gender: male
Age: 58 (1961)
Nationality: Austrian
Second term (2018 - 2021)

Rudolf was appointed member of the Supervisory Board on 9 July 2015. In 2018, Rudolf was reappointed for a second, three-year term, expiring in 2021. He is Chairman of the Remuneration & Appointment Committee, and is a member of the Trading & Technology Committee and the Risk Committee. Originally a corporate finance and capital markets lawyer, he has over 25 years' board-level experience at international financial institutions, including executive roles on the management boards of Goldman Sachs Bank in Frankfurt and of Deutsche Börse AG. For more than a decade, he held direct oversight responsibility for FSA and BaFin regulated derivatives and securities trading businesses. Between 2000 and 2005, Rudolf served as CEO of Eurex, and from 2003 to 2005 Rudolf was Chairman of the Management Board of the Frankfurt Stock Exchange. He is currently independent Board Director of Moody's Investors Service Limited, Moody's Investors Service EMEA Limited, Moody's France SAS and Moody's Deutschland. He is also an independent Board Director at DEAG Classics AG, a partner at Gledhow Capital Partners and Chairman of the Advisory Board at Mainberg Asset Management GmbH.

Roger Hodenius
Gender: male
Age: 47 (1972)
Nationality: Dutch
Second term (2019 - 2023)

Roger was appointed member of the Supervisory Board on 9 July 2015. In 2019, Roger was reappointed for a second, four-year, term, expiring in 2023. He is Chairman of the Risk Committee, and is a member of the Trading & Technology Committee and Remuneration & Appointment Committee. Roger is one of the co-founders of Flow Traders and served as its Co-CEO from its inception in 2004 until January 2014. Roger was responsible for developing Flow Traders' vision and culture, the trading strategies and the trading floor.

Jan van Kuijk, Vice-Chairman
Gender:male
Age: 53 (1966)
Nationality: Dutch
Second term (2018 - 2022)

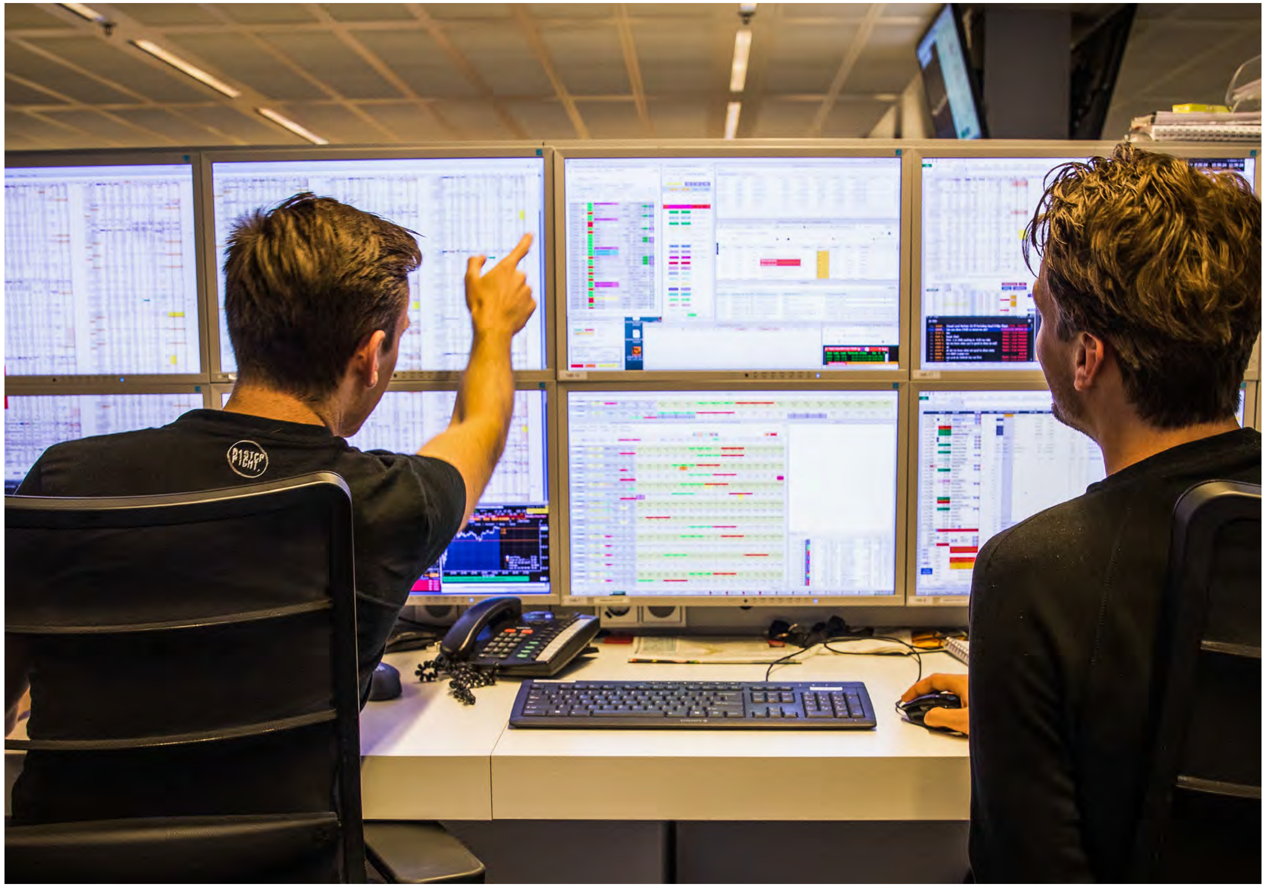
Jan was appointed Vice-Chairman of the Supervisory Board on 9 July 2015. In 2018, Jan was reappointed for a second, four-year term, expiring in 2022. He is Chairman of the Trading & Technology Committee, and is a member of the Audit Committee, Risk Committee and Remuneration & Appointment Committee. Jan is one of the co-founders of Flow Traders and served as its Co-CEO from its inception in 2004 until January 2014. Until 1996, Jan served as a partner at Optiver, a proprietary trading firm, and was involved in setting up its first electronic trading activities at Deutsche Börse in 1993. In 1997 he co-founded Newtrade Financial Group, an options market-making firm which discontinued after he co-founded Flow Traders in 2004.

Han Sikkens
Gender: male
Age: 42 (1978)
Nationality: Dutch
Second term (2018 - 2020)

Han was appointed member of the Supervisory Board on 9 July 2015. In 2018, Han was reappointed for a second, two-year term, expiring in 2020. He serves on the Audit Committee, the Trading & Technology Committee and the Risk Committee. Han is a managing director with Summit Partners L.P., a global growth equity firm, where he has been since 2004, and where he leads the firm's European office. Prior to Summit Partners L.P., he held positions at Scotia Capital and IBM Corporation. Han is currently a director of the following Summit Partners investments: Darktrace Limited, Red Points Solutions A/S, Siteimprove A/S, Syncron International AB and Syncron A/S. He is also an observer of the board at Odoo SA. He previously led Summit Partners' investments in Avast Software B.V., a consumer security software company; Multifonds, a financial software company; SafeBoot Holdings B.V, a provider of enterprise security software; 360 Treasury Systems AG, a global electronic trading venue; and Welltec International ApS, a provider of robotic intervention solutions to the oil and gas industry.

General

The Supervisory Board supervises the Management Board and the general course of affairs of the company and its business. The Supervisory Board supervises the company's focus on long-term value creation and the way in which this is implemented in the company's strategy and culture. The Supervisory Board considers the organizational structure of the company as a whole, as well as general and financial risks and the internal risk management and control systems. In performing its duties, the Supervisory Board acts in accordance with the interests of the company and takes the relevant interests of the company's stakeholders into account. Decisions are thus made in a balanced manner. The Supervisory Board is alert to indications of misconduct or irregularities. It supervises the Management Board when appropriate follow-up actions are taken. In case of a conflict of interest, the Supervisory Board is responsible for the decision-making on how to handle conflicts of interest.



The functioning of the Supervisory Board as a whole and the functioning of its members individually is evaluated at least once a year. A succession plan for the Supervisory Board is in place, with the Supervisory Board Profile and the Equal Opportunity Policy taken into account. We also have a transparent procedure in place for the (re)appointment of Supervisory Board members.

During 2019, the Supervisory Board consisted of six members: Eric Drok (Chairman), Jan van Kuijk (Vice-Chairman), Olivier Bisserier, Rudolf Ferscha, Roger Hodenius and Han Sikkens. During the 2019 AGM, Eric Drok and Roger Hodenius were reappointed for a second term of four years. Olivier Bisserier was appointed for a second term of three years. For more information, please refer to the chapter Report of the Supervisory Board and the Supervisory Board Rotation schedule as published on our website.

Appointing and dismissing Supervisory Board members

Supervisory Board members are appointed for a term of a maximum of four years and may be reappointed for a second term of a maximum of four years. After having served two terms, a Supervisory Board member may then be reappointed for a term of maximum two years, which may be extended by at most two years. The Supervisory Board Profile and the Equal Opportunity Policy will be taken into account at each (re)appointment.

When a member of the Supervisory Board is to be appointed, suspended or removed, the Supervisory Board makes a non-binding nomination or proposal. Following a nomination by the Supervisory Board, the General Meeting may appoint a Supervisory Board member by an absolute majority of the votes cast, representing more than one third of the issued capital of the company. Appointment of a different candidate than the one proposed by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company. If votes within the Supervisory Board meeting tie on the proposed nomination, the General Meeting decides. Any appointment of a member of the Supervisory Board must be approved by the Dutch Central Bank (DNB). The DNB needs to be notified in writing in case of reappointments of members of the Supervisory Board.

Following a proposal by the Supervisory Board the General Meeting may suspend or remove members of the Supervisory Board by an absolute majority of the votes cast. The suspension or removal of a Supervisory Board member without a proposal by the Supervisory Board requires an absolute majority of the votes cast at the General Meeting, representing at least 50 percent of the issued capital of the company.

Internal organization

Committees

The Supervisory Board has an Audit Committee, Remuneration & Appointment Committee, Risk Committee, and Trading & Technology Committee. Each of the committees has a preparatory and/or advisory role to the Supervisory Board. They each report their findings to the Supervisory Board, which is ultimately responsible for all decision-making. Terms of Reference apply for each committee and the relevant Management Board members and relevant others having a standing invitation for each committee meeting.

Audit Committee

The Audit Committee discusses the annual, half-yearly and quarterly results and supervises the provision of the company's financial information. It also advises the Supervisory Board on the nomination of the external auditor, who is appointed by the General Meeting. The Audit Committee is in regular contact with the Internal Audit Function and the external auditor, monitors the auditor's independence and discusses the audit plans and recommendations of the internal and external auditor.

In addition to advising the Management Board on financing, tax policy and tax risk framework, the Audit Committee is also responsible for supervising relevant (tax) legislation and regulations and the Code of Conduct. The design and operation of the internal risk management and control systems are discussed in the Risk Committee in more detail, as well as in the Audit Committee.

In addition to the Management Board members, the Global Head of Finance, the Global Head of Internal Audit and relevant others were invited to Audit Committee meetings.

The Audit Committee is not chaired by the Chairman of the Supervisory Board or a former member of the Management Board. More than half of its members is independent.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee drafts proposals for the company's remuneration policy. It proposes the remuneration of the individual members of the Management Board to the Supervisory Board, and reviews the proposal of the Management Board of the annual remuneration and variable compensations of all employees. It is also responsible for carrying out annual assessments of the individual members of the Supervisory Board and the Management Board and the composition and size of the respective Boards. Where necessary, the Remuneration & Appointment Committee drafts proposals for (re)appointments, drafts selection criteria and appointment procedures for the Supervisory Board and Management Board. The committee draws up a plan for the succession of Management Board and Supervisory Board members. It also supervises the Management Board regarding the selection criteria and appointment procedures for senior management. The Remuneration & Appointment Committee takes note of the individual Management Board members' view regarding the amount and structure of their own remuneration.

The Management Board sets values contributing to the long-term value creation. The Remuneration & Appointment Committee discusses these values, focusing on the strategy and business model, the environment and the existing culture within the company.

Depending on the topics discussed, the Management Board members, relevant Global Heads or relevant others are present at the Remuneration & Appointment Committee meetings.

Compliant with the Corporate Governance Code provision 2.3.4, the Remuneration & Appointment Committee is not chaired by the Chairman of the Supervisory Board or a former member of the Management Board.

"We invest in our people. We provide them with a range of excellent training programs, benefitting them and the company"

Risk Committee
The duties of the Risk Committee include supervising and monitoring the operation of our internal risk management and control systems, and advising the Management Board on these operations. It reviews the company's risk assessment processes and control systems, at least annually. The committee also monitors the manner in which the company's risk management function is provided with adequate resources and appropriate access to information, bearing in mind that it should be able to function sufficiently independently from Management. The Risk Committee also undertakes preparatory work for the Supervisory Board's decision-making regarding the supervision of the integrity and quality of the effectiveness of the company's internal risk management and control systems. Subsequently, the effectiveness of the design and operation of the internal risk management and control systems are discussed with the Management Board, and reported to the Supervisory Board.

The committee maintains regular contact with the company's Risk and Mid-Office departments. In addition to the Management Board members, relevant others may, from time to time, be invited to attend the Risk Committee meetings.

Trading & Technology Committee
The Trading & Technology Committee is responsible for providing advice to the Management Board on the company's development, performance and sustainability of its trading strategies. It is also responsible for reviewing the company's technology budget, supervising the operation of the company's security systems, and assessing the state of the company's technology in terms of competitiveness and functionality at least once a year. The committee supervises the Management Board on the operations of the company's security systems and related risks. It maintains regular contact with our trading and technology departments. The Management Board members and relevant others may, from time to time, be invited to the Trading & Technology Committee meetings.

Dilemmas

We face a variety of dilemmas in our various roles as an entrepreneur, employer and listed company. In addition to applying internal rules and regulations, such as the Code of Conduct and the Whistleblower Policy, we try to assess and resolve any dilemmas by applying common sense, remaining aware of our role within society. However, some dilemmas are ongoing and require constant attention. One of the dilemmas we currently face is:

Maintaining our exceptional culture
Our internal culture is one of our most cherished strengths. Our entrepreneurial, innovative and team-oriented culture supports an open environment where everyone can be themselves, confident in the knowledge they can express their thoughts and ideas openly. Our dilemma is how to maintain this environment as the company grows. As we employ more people and expand geographically, it can become more challenging to maintain the 'family spirit' and ensure everyone feels connected on the same level. We continue to carry out surveys to better understand how employees feel about Flow Traders, and whether they recognize and can relate to the culture, and discuss the importance of culture at the top levels of the organization.

Our risk management

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

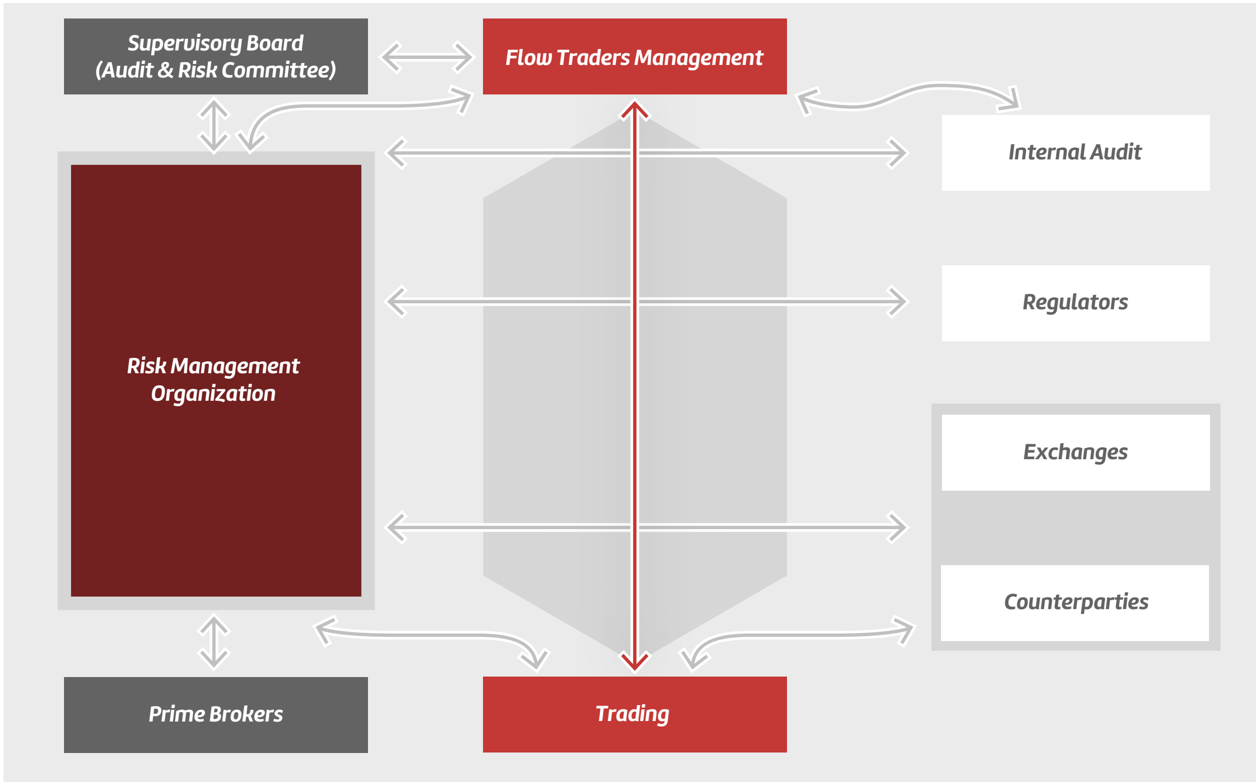


Figure 1.

Enterprise Risk Management

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

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

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

Risk categories

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

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

Risk Management Governance

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

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

The first line of defense is formed by Trading, Technology and Operations. These 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 Flow Traders' systems and trading controls.

The second line of defense is responsible for oversight and monitoring regarding risks, rules and requirements. Risk Management and Trading Compliance monitor and manage most of the preventive controls and 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 Flow Traders' Internal Audit Function (IAF). They assess the design and operation of our internal risk management and control systems. The IAF carries out its audit work in accordance with the Group Internal Audit Charter, as approved and implemented in May, 2016.

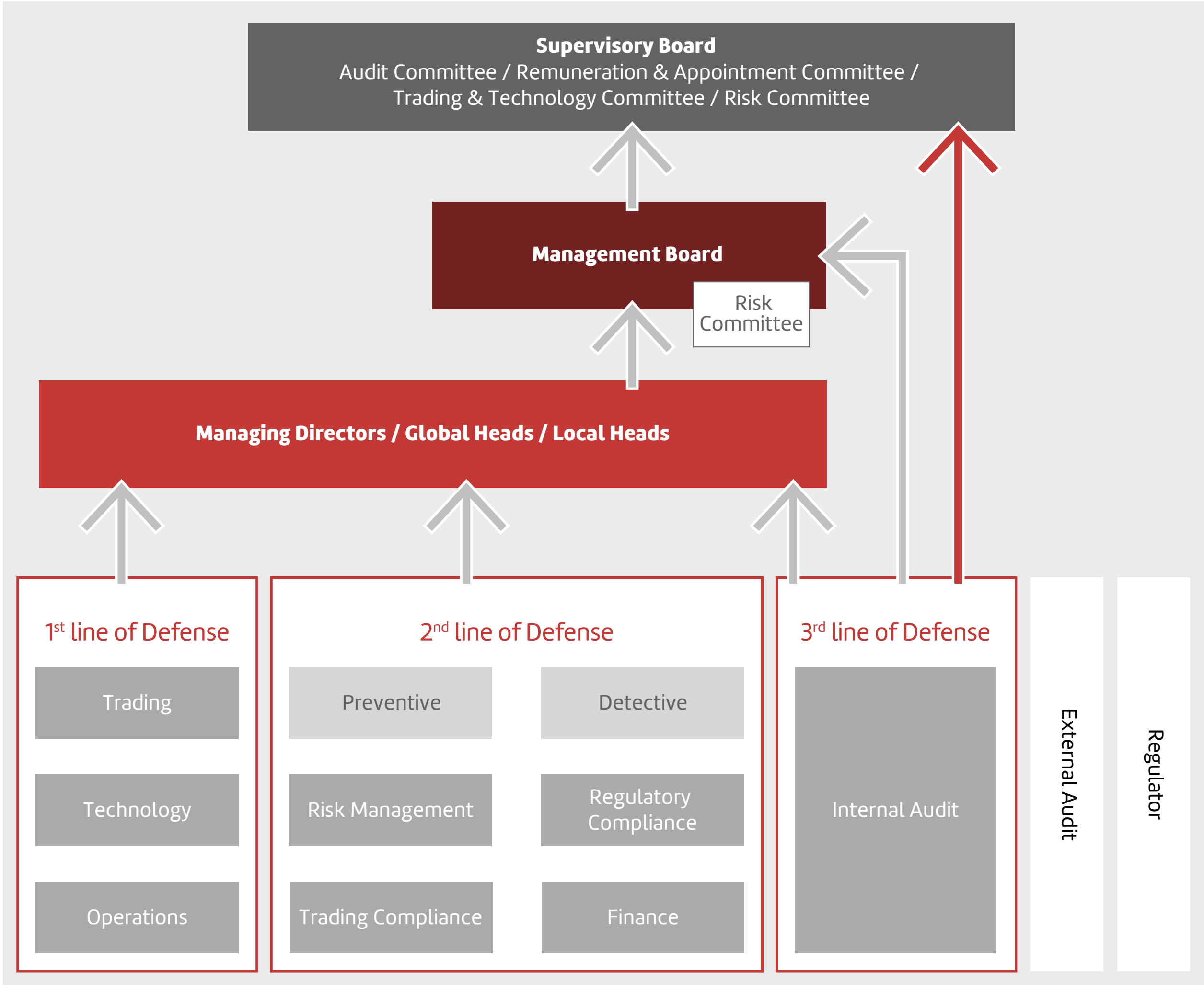


Figure 2. Flow Traders' defence model.

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 role of the Audit Committee of the Supervisory Board is to:

- Supervise the Management Board with respect to discussing the effectiveness of the design and operation of the internal risk management and control systems.

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 Operations 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' Internal Audit Function is responsible for:
- Evaluating risk exposure relating to achievement of the organization's strategic objectives;
- Monitoring and evaluating the effectiveness of Flow Traders Group's risk management processes.

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:

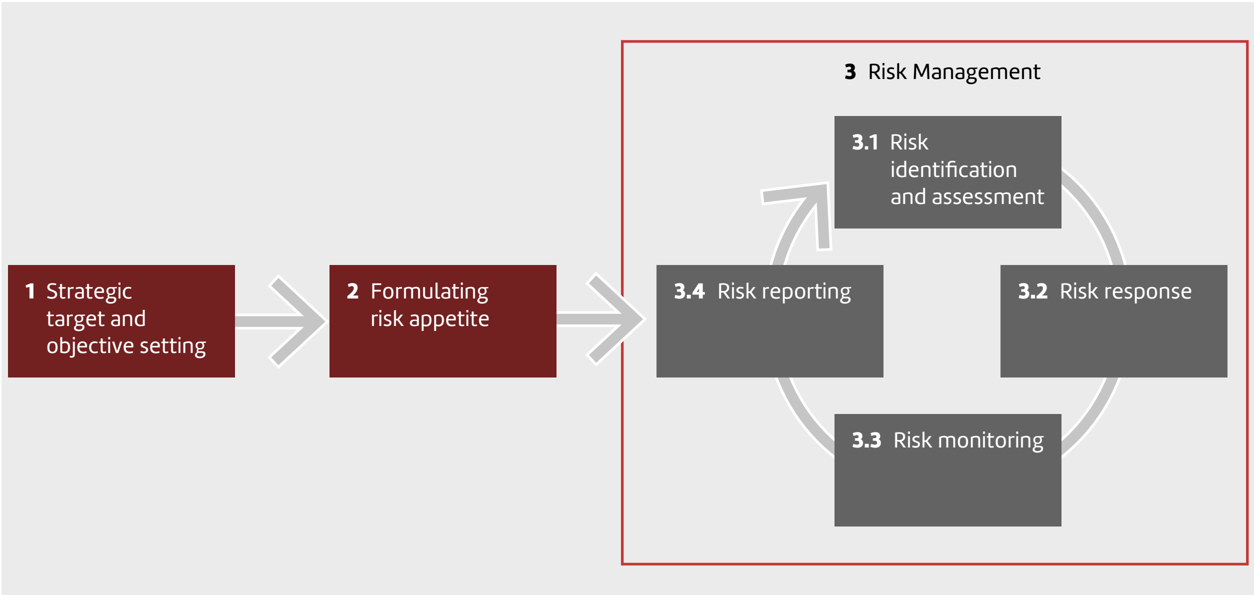


Figure 3. Flow Traders' Enterprise Risk Management cycle.

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

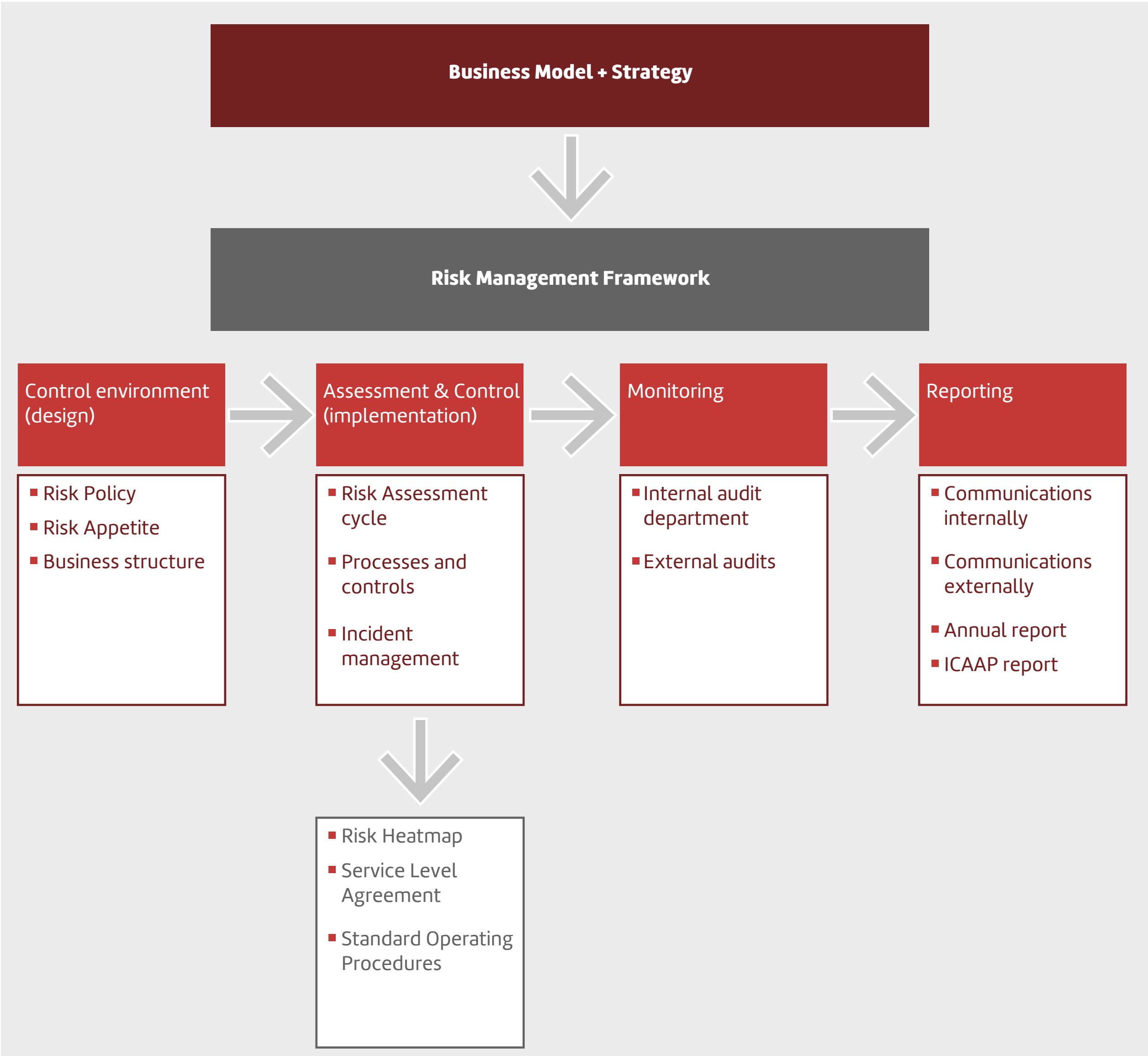


Figure 4.

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 involved in 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 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.

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 Operations departments. For more information on the responsibilities of our Risk Committee, please see the chapter Our governance.

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

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

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

We use risk-based onboarding procedures before we commence trading on new platforms, including platforms designated for trading digital assets. While many of such platforms remain unregulated, many have strongly improved their own onboarding procedures and counterparty identification 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 and in addition we have opened a branch office in London in 2018. As a group we currently

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

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

The Trading Compliance and Risk and Operations 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 implementing regulation pertaining to new prudential requirements for investment firms (IFR/IFD). IFR/IFD and their implementation may affect our Dutch trading entity and our Group. We expect more certainty about the outcome during the course of 2020 and early 2021. 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, MiFID II, Brexit, post trading matters, 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.

Information on the remuneration of the Management Board members, and charity Supervisory Board members can be found in the chapter Remuneration.

Diversity

The Supervisory Board has drawn up and adopted an Equal Opportunity Policy (Diversity Policy). In this policy we explain our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. We are committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. We are a firm believer in the benefits of a diverse workplace and we do not make any concessions to quality. Our objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all of our employees, provided they perform highly. When positions become available, we actively encourage all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and employees. We aim to provide an inclusive work environment for all employees. This also holds for our Management Board and Supervisory Board. When it comes to diversity in the Supervisory Board and the Management Board, we adhere to the same principles of equal opportunity as set out above. As a result, our current Supervisory Board is diverse in terms of, inter alia, age, education, nationality, and professional backgrounds. This diverse composition entails constructive dialogues and shared responsibility, resulting in an effective and efficient Supervisory Board. Our Equal Opportunity Policy can be found on our website: www.flowtraders.com.

General Meeting, shares and shareholders

Flow Traders highly encourages shareholder participation in the decision-making of the General Meeting. It is of great importance to the company that its shareholders have an actual say in the Annual General Meeting of shareholders (AGM), and the company therefore encourages an open dialogue. Flow Traders ensures that the General Meeting is adequately provided with information.

Agenda items of the AGM that need to be handled as separate agenda items on the basis of the Corporate Governance Code, the Dutch Civil Code or the Articles of Association will be handled as such.

Flow Traders holds an AGM within six months following the end of the financial year. The agenda for this meeting includes the adoption of the annual accounts, the content of the annual report covering the previous year's financial business, the policy of the company on additions to reserves and on distributions of profits, any proposal to distribute profits, (re)appointment of the external auditor, substantial changes in the governance structure of the company and in the compliance with the Corporate Governance Code, material changes to the Articles of Association, filling vacancies on the Management Board and/or Supervisory Board, proposals placed on the agenda by the Management Board, and the release from liability of the members of the Management Board and the Supervisory Board for their performance during the previous financial year. In accordance with the implementation of the Shareholders Rights Directive into Dutch law, the remuneration report and, every 4 years, the remuneration policy will be included on the agenda for the AGM, starting at the 2020 AGM.

General Meetings of Shareholders can be held as often as the Management Board or the Supervisory Board deem necessary. A General Meeting of Shareholders is also convened in case of a decision entailing a significant change in the identity or character of the company or its business.

One or more shareholders representing at least the statutory threshold of three percent of the voting rights may request that the Management Board places items on the agenda of a General Meeting of Shareholders. The Management Board must honor such a request provided that the request is received in writing at least 60 days before the date of such a meeting.

Each shareholder is entitled – either in person or via proxy – to attend the AGM and to vote during the AGM. The AGM is the perfect place for shareholders and the Management Board and Supervisory Board to interact. At an AGM, shareholders can ask questions directly to the Management Board and/or the Supervisory Board. Our Management Board and Supervisory Board strongly encourage shareholders to interact.

During the AGM held on 8 May 2019 in Amsterdam, the Netherlands, shareholders voted in favor of adopting the 2018 annual accounts, determining the total dividend at €2.35 per share, discharging members of the Management Board and Supervisory Board from liability, reappointment of three Supervisory Board members, granting the authority to issue shares and the authority to restrict or exclude pre-emptive rights (see below for more detail), granting the authority to acquire own shares and the authority to cancel own shares (see below) and reappointing EY as our external auditor. The General Meeting and Management Board discussed the results, dividend policy, remuneration policy and governance structure of the company.

Extraordinary General Meetings of Shareholders will be held if the Management Board or the Supervisory Board is requested to that effect in writing by one or more holders of shares (or holders of rights in rem (beperkte rechten) who also hold the voting rights in relation to those shares) individually or jointly representing ten percent or more of the issued share capital, specifying the details to be discussed.

The company held no Extraordinary General Meeting in 2019. Our next AGM is scheduled to be held on 24 April, 2020, in Amsterdam, the Netherlands. More information will become available on our website in due course.

Voting rights

Each share carries one vote at the AGM. Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting are passed by an absolute majority of votes cast. Votes can be cast at the AGM either in person or by proxy. These proxies can be granted electronically or in writing to the company or to independent third parties, such as a civil-law notary.

Amendment to the Articles of Association

The General Meeting may pass a resolution to amend the Articles of Association or to wind up the company with an absolute majority of the votes cast. This can only be done if the Management Board has proposed to amend the Articles of Association or wind up the company. Such proposal has to be approved by the Supervisory Board.

When a proposal to amend the Articles of Association or to wind up the company is made to the General Meeting, the intention to propose such resolution must be stated in the relevant notice convening the General Meeting. If it concerns an amendment to the Articles of Association, a copy of the proposal in which the proposed amendment is quoted verbatim must at the same time be deposited at the company's office and this copy shall be made available for inspection by the shareholders until the end of the General Meeting.

Issue of shares

Shares are issued by a decision of the Management Board. This decision must be approved by the Supervisory Board.

During the 2019 AGM, our shareholders renewed the authority of the Management Board, subject to the Supervisory Board's approval, to issue ordinary shares or to grant rights to subscribe for ordinary shares up to and including 8 November 2020 for up to ten percent of the total number of shares issued at the time of the General Meeting of Shareholders for any purposes. Any issuance exceeding this limit needs approval by the General Meeting.

In addition, the General Meeting renewed the authority of the Management Board, subject to the Supervisory Board's approval, to restrict or exclude applicable pre-emptive rights when issuing ordinary shares or granting rights to subscribe for ordinary shares up to and including 8 November 2020.

At our next AGM, scheduled to be held on 24 April 2020, the Management Board intends to request that the General Meeting renews its authorization to issue shares for up to ten percent of the total number of shares issued at the time of the AGM for any purposes.

Repurchase and purchase of shares

Shares may be repurchased by the company by a decision of the Management Board. This decision must be approved by the Supervisory Board. During the 2019 AGM, our shareholders renewed the authority of the Management Board to, subject to the Supervisory Board's approval, acquire shares in the capital of the company, either through purchase on a stock exchange or otherwise. The authority applies up to and including 8 November 2020, under the following conditions: the repurchase (i) may constitute up to ten percent of the total number of shares issued at the time of the General Meeting; (ii) provided that the company will not hold more shares in stock than ten percent of the issued share capital; and (iii) at a price (excluding expenses) not less than the nominal value of the shares and not higher than the opening price on Euronext Amsterdam on the day of repurchase plus ten percent. Any repurchases exceeding these limits need approval by the General Meeting.
In order to align our employees' interests with those of our shareholders, the company awards 100 shares in the company to most employees with a tenure of over two years. The company purchased part of such shares under the authority granted by the General Meeting over the course of 2018 and 2019.

At the 2020 AGM the Management Board will propose to the General Meeting to (i) renew its authorization to repurchase shares in the company, and (ii) cancel shares in the share capital of the Company held or repurchased by the Company under the aforementioned authorization to repurchase shares in the Company.

Cancelation of shares

Shares may be canceled by the company by a decision of the Management Board. This decision must be approved by the Supervisory Board. During the 2019 AGM, our shareholders voted for the authorization of the Management Board to, subject to the Supervisory Board's approval, cancel shares in the share capital of the company. The number of shares that can be canceled, shall be determined by the Management Board, but may not exceed ten percent of the issued share capital at 9 May 2019, i.e. up to 465,345 shares can be canceled. The cancelation may be executed in one or more parts.

Major shareholders

The following shareholders filed their interests in the capital of the company exceeding 3% to be included in the AFM's register of substantial holdings and gross short positions as published on the website www.afm.nl (data as published on 31 December 2019). A shareholder must file or update its holdings if its interest exceeds, or drops below, 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.
Based on the publications in two of the public AFM Registers: the Register on substantial holdings and gross short positions; and the Register on notifications by directors and members of the supervisory board, the table below shows the most accurate formation. For further details on individual shareholdings please refer to the AFM's registers.

> OUR RISK MANAGEMENT

Information which is relevant to our shareholders and which is required to publish or submit pursuant to the provisions of company law and securities law, is posted in a separate section of our website www.flowtraders.com. Our Bilateral Contacts Policy can also be found on our website.

SHAREHOLDINGS ON 31 DECEMBER 2019		Filing date
Invesco Limited	3.01%	13 November 2019
J.T.A.G. van Kuijk (Javak Investments B.V.)	12.22%	2 May 2018
R. Hodenius (Avalon Holding B.V.)	10.07%	7 December 2018
Templeton Funds	3.09%	14 December 2017

The shares indirectly held by Roger Hodenius (Avalon Holding B.V.) and Jan van Kuijk (Javak Investments B.V.) are long-term investments.

Relationship agreement and shareholders agreement

Avalon Holding B.V. and Javak Investments B.V. entered into a relationship agreement with the company and a shareholders' agreement (amongst each other).

The relationship agreement is a Dutch law-governed agreement that contains certain arrangements regarding the relationship between the parties thereto. The agreement currently grants each of Avalon Holding B.V. and Javak Investments B.V. a specific right to nominate or designate one Supervisory Board member for appointment (and replacement). This right expires, in respect of each relevant party, if such party ceases to, directly or indirectly, hold more than five percent of the shares in the company provided that and for as long as, in aggregate, Avalon Holding B.V. and Javak Investments B.V. together continue to, directly or indirectly, hold more than five percent of the company's shares, Avalon Holding B.V. and Javak Investments B.V. shall be entitled to jointly designate one Supervisory Board member for appointment.
The relationship agreement also governs the composition of the Supervisory Board committees. The agreement terminates in respect of each of the shareholders, if such party's aggregate shareholding in the company (be it direct, indirect or together with a permitted transferee) falls below five percent of the company's outstanding share capital. In case of, among other things, the company becoming subject to insolvency procedures, liquidation, delisting, a merger or a spin-off (with the company as disappearing entity), the agreement automatically terminates.

Under the shareholders' agreement governed by Dutch law, Avalon Holding B.V. and Javak Investments B.V. have agreed on certain arrangements in respect of their shareholding in the company. These arrangements include an obligation for each of the parties to vote in favor of the appointment of any individual designated by any of them as a member of the Supervisory Board in accordance with the terms of the relationship agreement (as described above). Furthermore, the parties agreed to reserve the right to consult with each other and coordinate the exercise of their voting rights attached to their respective shares in the company.
The shareholders' agreement terminates for any party if such party's aggregate shareholding in the company (be it direct or indirect) falls below three percent of the company's outstanding share capital and in case of, among other things, the company becoming subject to insolvency procedures, liquidation, delisting, a merger or spin-off (with the company as disappearing entity).

No dedicated take-over protection structures

Flow Traders does not employ any of the following dedicated take-over protection structures: preference shares, depositary receipts or call options issued to vehicles conducive to protecting the company's interest or independence.

Compliance and transparency

Focus on anti-bribery, anti-corruption and anti-money laundering

Flow Traders is a strong proponent of effective, efficient and equal regulation and contributes to the regulatory dialogue in our key jurisdictions as we want markets to be fair, transparent and functioning in an orderly fashion.
We commit to complying with all relevant laws and regulations that apply to us, wherever we operate, including in respect of anti-corruption, anti-bribery and anti-money laundering laws. Integrity and transparency is central to the way we run our business, from our Management Board and Supervisory Board to all our staff, regardless of their role. The company encourages an open culture within its organization and expects its employees to comply with applicable laws, regulations and internal policies.
Each employee is responsible for ensuring an honest and ethical conduct of business within the company. We have issued a Code of Conduct, which forms part of our employment documentation. This Code of Conduct can be found on our website www.flowtraders.com.

We have anti-bribery, anti-corruption and anti-money laundering (AML) policies in place that apply to all our staff. We expect our counterparties, business partners, intermediaries, contractors and subcontractors to adhere to the same standards. We believe that the risk of bribery or corruption is very limited as we do not hold or manage client money or assets. We trade financial instruments for our own account and own risk only. We do not maintain production facilities or source raw materials. Nevertheless, staff receives training in anti-bribery, anti-corruption and AML practices, as the Management Board underlines the importance of these trainings.

Key to our anti-bribery and anti-corruption policy is that officials or counterparties may never be placed in an uncomfortable position. No gifts nor favors may lead (or have the appearance to lead) to obligations or embarrass any recipient, and no gifts nor favors of any substantial value may be given to authorities. Facilitation payments are not permitted. We provide clear and recurring guidance in that respect. As part of our constant monitoring, all expenses and gifts relating to external parties are checked by senior managers and employees have to state what the purpose of an expense was and who was the recipient.

We have zero tolerance towards bribery and corruption and we actively ensure that no such behavior occurs. No cases of bribery or corruption were reported in 2019.

Whistleblowers

In addition to our very strong culture of openness, transparency and participation, we also have an elaborate Whistleblower Policy in place for all staff and relevant contractors, approved by the Management Board and Supervisory Board. Employees are free to raise issues and have the responsibility to report misconduct and incidents, or any reasonable suspicions. During 2018, all employees were required to participate in an online course on the Whistleblower Policy, as part of the Flow Academy. During 2019 every new hire received this course, and every new hire will receive this course going forward, to create awareness and guidance on how to deal with misconducts and incidents described in Flow Traders whistleblower policy.

Circumstances may arise that cause an employee to feel insecure or unsafe to the extent that they may not want to use the usual reporting lines. The company provides employees with a safe way of reporting suspected misconducts within its organization and offers adequate protection. The Whistleblower Policy has wide applications, including in respect of topics such as fraud, market abuse, corruption, anti-money laundering, theft, bribery, dishonoring Flow Traders Global tax policy and any other structural misconduct that threatens the integrity and proper business conduct of Flow Traders. The Whistleblower Policy provides whistleblowers with anonymity, confidentiality, and the company will not impose sanctions on disclosure (or affect an employee's legal position) when the employee reports a suspected misconduct in good faith, unless the employee is involved in the issue that is being reported. We respect a non-retaliation policy when a suspected misconduct is reported. Flow Traders' Whistleblower Policy can be found on our website www.flowtraders.com.

Internal audit

The Internal Audit Function seeks to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. An efficient and effective internal audit framework contributes to strong internal controls and to a robust corporate governance structure, which can address significant risks. The scope of internal audit work includes the examination and evaluation of the adequacy and effectiveness of Flow Traders' risk management, control and governance processes as well as the quality of performance in carrying out assigned responsibilities to achieve Flow Traders' stated goals and objectives.

Our Group Internal Audit Charter defines the Internal Audit Function's purpose, authority, responsibility and position within Flow Traders. This charter is aligned with the

Corporate Governance Code and with guidance provided by the Institute of Internal Auditors.

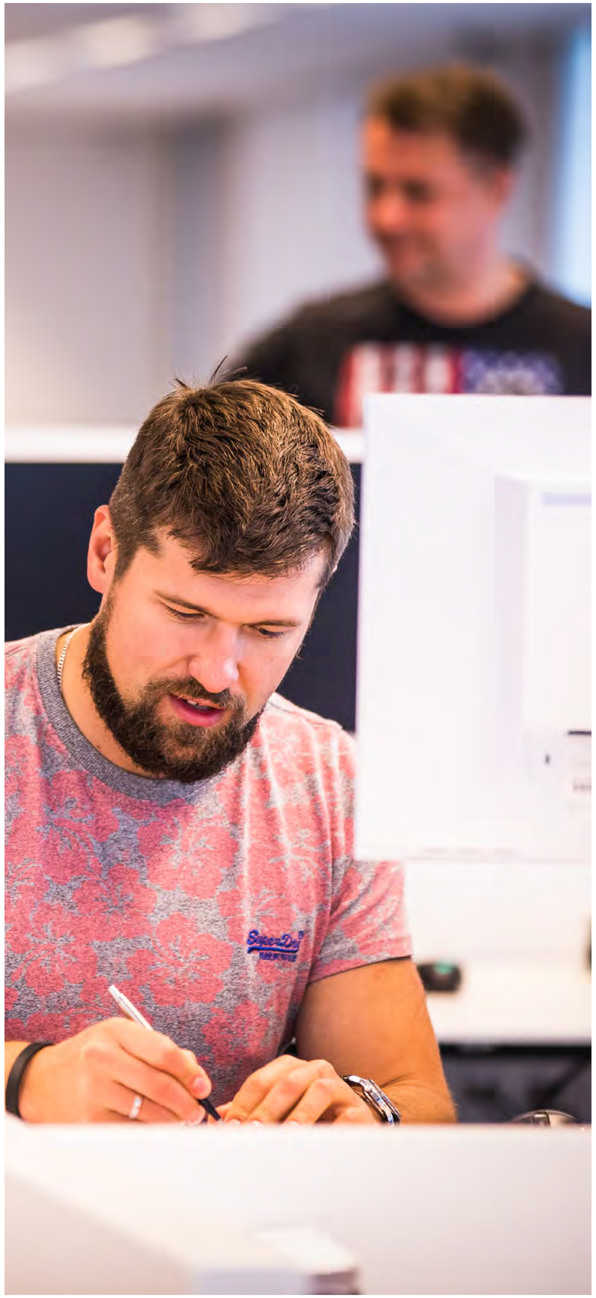
The Internal Audit Function is an integral part of our reporting cycle. The Internal Audit Function reports to the Audit Committee and to the CEO. It aligns its efforts with the external auditor and reports its audit results to the Management Board, the essence of its audit results to the Audit Committee and informs the external auditor.

The Management Board assesses the way in which the Internal Audit Function fulfils its responsibility annually and takes the opinion of the Audit Committee into account.

Compliance with the Corporate Governance Code

The Corporate Governance Code defines a company as a long-term form of collaboration between the principal corporate bodies of a company. For Flow Traders, these corporate bodies include the Management Board, the Supervisory Board and the General Meeting.
The Management Board values and considers the interests of the various stakeholders involved. Good corporate governance results in effective decision-making in a manner which enhances shareholder value and enables a company to maintain a culture of integrity, transparency, and trust. The company has a long standing focus on a long-term value creation strategy, culture and risk. We acknowledge the importance of good corporate governance and endeavor to comply in general with the provisions of the Corporate Governance Code and comply fully with it, with the exception of the following provisions:

- **Equal Opportunity Policy (Diversity Policy)**
  Best practice provision 2.1.5 provides that the Supervisory Board should draw up a diversity policy for the composition of the Management Board and Supervisory Board. The policy should address the concrete targets relating to diversity. Flow Traders deviates from best practice provision 2.1.5 as no concrete targets are set on diversity within the company. However, the Supervisory Board has drawn up and adopted an Equal Opportunity Policy addressing the diversity aspects of the composition of the Management Board and Supervisory Board. We believe that this policy also attains the purpose of best practice provision 2.1.5. In our view, the policy contributes to good governance, as it reflects our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. Flow Traders is committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. The company is a firm believer in the benefits of a diverse workplace and does not make any concessions to quality. The objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all employees, provided they perform highly.
  When positions become available, Flow Traders actively encourages all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and employees. This also holds for the Management Board and Supervisory Board. When it comes to diversity in the Supervisory Board and the Management Board, Flow Traders adheres to the same principle of equal opportunity as set out above.
  As a result, our current Supervisory Board is diverse in terms of, inter alia, age, education, nationality, and professional backgrounds.



"Flow Traders has two main roles in the financial ecosystem. The first is as a liquidity provider. The second role we play in the ETP landscape is as an Authorized Participant"

- **Independence of Supervisory Board members**
  Best practice provision 2.1.7 provides that any one of the criteria referred to in best practice provision 2.1.8 (i.-v.) should be applicable to at most one Supervisory Board member and that the total number of Supervisory Board members to whom the criteria referred to in best practice provision 2.1.8 are applicable, should account for less than half of the total number of Supervisory Board Members. Jan van Kuijk and Roger Hodenius, as founders of the company, were attracted to their role as Supervisory Board members because of their specific business-related expertise. They do not qualify as independent under the provisions of the Corporate Governance Code as they are former members of the Management Board of the company prior to its conversion and because they represent shareholders of the company owning an interest of over ten percent. Deviation from this provision is likely to continue until Roger Hodenius and Jan van Kuijk cease to be members of the Supervisory Board.
- **Independence of committee members**
  As Jan van Kuijk and Roger Hodenius do not qualify as independent Supervisory Board members as set out above, this also affects two Supervisory Board committees of which they are members. Best practice provision 2.3.4 provides that more than half of the members of the Audit Committee and the Remuneration & Appointment Committee should be independent. Both Jan van Kuijk and Roger Hodenius are members of the Remuneration & Appointment Committee, implying that half (and not more than half) of its members are independent. Deviation from this provision is likely to continue until Roger Hodenius and Jan van Kuijk cease to be members of the Supervisory Board.
- **Analyses carried out in respect of variable compensation**
  Best practice provision 3.2.1 of the Corporate Governance Code provides that the Remuneration & Appointment Committee should submit a proposal to the Supervisory Board concerning the remuneration of individual members of the Management Board. The proposal is drawn up in accordance with the Remuneration Policy that has been established and will, in any event, cover the remuneration structure, the amount of the fixed and variable remuneration components, the performance criteria used, the scenario analyses that are carried out and the pay ratios within the company and its affiliated enterprises. We do not fully comply with the scenario analyses that are carried out as the variable remuneration for the members of the Management Board is contingent upon a future, unknown, metric: the accrued firm-wide variable remuneration pool which itself depends on operating result for the given financial year. Because of the nature of our business activities and the fast paced industry in which we operate, the Supervisory Board tracks actual performance of the Management Board members and eligibility for variable compensation throughout the year, rather than performing a more hypothetical scenario analysis prior to a financial year while performing a single, one-off assessment at the end of the year as set out in the best practice provisions. Semi-annual discussions take place between the Management Board members and the Remuneration & Appointment Committee for this purpose. In this manner, the Supervisory Board regularly assesses the performance indicators and the potential resulting variable compensation for the Management Board members. Targets are set for each

individual Management Board member and the Management Board as a whole. Significant underperformance or overperformance in respect of these targets can result in reductions or increases of the profit share that is awarded to a Management Board member.

- **Quorum**
  Best practice provision 4.3.3 provides that the General Meeting of a company that is not subject to the statutory large company regime (structuurregime) may adopt a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to remove a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast. According to the Corporate Governance Code, it may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of a nomination or to remove a board member, a new meeting may be convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.
  In deviation of this best practice provision, the company's Articles of Association provide that the General Meeting may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board and/or a resolution to remove a member of the Management Board or of the Supervisory Board by an absolute majority of the votes cast, representing more than 50 percent of the company's issued capital. In addition, the company's Articles of Association provide that if this quorum is not present or represented at the meeting, such resolution cannot be adopted and in order for such a resolution to be adopted, a new meeting should be convened in which more than 50 percent of the company's issued capital is represented and an absolute majority of the votes are cast in favor of such resolution.

Corporate governance statements

Dutch decree on the content of the Management Board report

(Besluit inhoud bestuursverslag)

The information required by section 2a of the Decree is included in the chapters Our governance and Supervisory Board Report:

- our compliance with the Corporate Governance Code can be found in the chapter Our governance;
- the main features of our internal risk management and control systems relating to the financial reporting process can be found in the chapter Our governance;
- the functioning of our General Meeting and the authority and rights of our shareholders can be found in the chapter Our governance;
- the composition and functioning of our Management Board, the Supervisory Board and its Committees can be found in the chapters Supervisory Board Report and Our governance;
- the diversity policy regarding the composition of the Management Board and the Supervisory Board including its aims, how it is being effected and the results can be found in the chapters Our governance and the Supervisory Board Report (section 3a sub d of the Decree); and
- the disclosure of the information required by the Decree on Section 10 EU Takeover Directive can be found in the chapter Our governance (section 3b of the Decree).

INTERVIEW RAMON BALJÉ & MATHEUS PEREIRA

Strong growth of Fixed Income

The Fixed Income ETF market has grown strongly in recent years, with investors keen to take advantage of the tradability, liquidity and transparency the products offer. According to iShares (BlackRock) Fixed Income ETF assets might double in the coming 5 years from the current $1 trillion.

For Flow Traders, which has developed strongly in the Fixed Income ETF market recently, there is still significant growth potential to be realized. Ramon Baljé, Head of Fixed Income Europe and Matheus Pereira, Head of Trading US, discuss the market's importance and Flow Traders' role within it.

Let's start with the basics: What is a Fixed Income ETF?
Matheus: 'Fixed Income ETFs enable investors to buy a slice of securities, in this case bonds. These can be in any type of Fixed Income security available in the market, from government bonds to corporate bonds. Because they are ETFs they can be traded in the market like an open ended share. But unlike mutual funds, which tend to be available for trading at the end of the day only, Fixed Incomes ETFs have the advantage of being tradeable throughout the day.'

So ease of trading is the main advantage Fixed Income ETFs have over bonds?
Ramon: 'Being easier to trade than the underlying bonds is just one of the advantages of ETFs. Another key benefit is greater insight into their liquidity. Because

most bonds are traded over the counter rather than on exchanges, it is very difficult to accurately measure their liquidity. Fixed Income ETFs provide investors with accurate data on volumes traded, meaning there is far greater price transparency.'

What else attracts investors to Fixed Income ETFs?
Matheus: 'Since Fixed Income ETFs pay the accumulated coupons throughout the month, if investors hold a basket of funds they can create income on a monthly basis. This is an attractive option for many. Another new trend is to create tax efficient solutions within the ETF, for example by building a portfolio that includes products that are either taxed attractively or are even exempt of tax in their own jurisdiction. This provides investors with a great deal of flexibility and transparency.'

What is Flow Traders' position in the Fixed Income ETF market?
Ramon: 'Our market position was significant in 2019, over 15% globally. Our ground-breaking technology and our heavy presence trading underlying bonds sets us apart from our market peers, and we see huge growth potential within the Fixed Income ETF space.
According to iShares (BlackRock) the market is forecast to double in terms of assets under management (AuM) in the comping few years, and recent net inflows have been massive. New products, such as iShares High Yield Bond Series and the JP Morgan US Aggregate Bond ETF, are helping fuel this growth.

We are also seeing other market participants, such as hedge funds, moving into Fixed Income ETFs to reduce the cash drag on their funds. What does that mean? Well, because the ETF is especially liquid the hedge funds use the ETFs as a placeholder for cash, creating a win-win situation.'

Finally, any other changes that will help the market grow?
Matheus: 'Another recent development that is highly significant is the introduction of the ETF Rule in the United States. This brings greater consistency and transparency to the ETF market, making it easier for new participants to enter the market and issue funds, and should give a real boost to the Fixed Income ETF market.'

Name: *Ramon Baljé*

Position: *Head of Fixed Income*

Specialism: *Fixed Income Sales, Trading and structuring. Main focus on quantitative side of rates and credit.*

Background*: Ramon is an experienced managing director at his former employers with a demonstrated international track record of over 20 years in building successful Fixed Income businesses mainly in London. Worked in various Fixed Income management jobs (Sales & trading and structuring) at JPM, Lehman / Nomura, Citi and UBS. He studied Econometrics at Erasmus University, Rotterdam and is also a CFA Charter holder.*

Name: *Matheus Pereira*

Position: *Managing Director Flow Traders US LLC & Head of Trading US*

Specialism: *US Fixed Income*

Background*: Matheus holds a BS in Economics with dual concentration in Finance and Operations Management from The Wharton School of the University of Pennsylvania. Matheus joined Flow Traders US in 2015 and was appointed Head of Trading and Managing Director for the Americas in 2019.*

Report of the Supervisory Board

Message of the Supervisory Board

Supervisory Board

Message of the Chairman

In 2019 the Supervisory Board, among other matters, focused on monitoring and advising the management board on the implementation of the company's long-term value creation strategy.

The Supervisory Board in 2019

During 2019 the Supervisory Board concentrated on a variety of topics as part of guiding the company as it develops and realizes its strategic ambition. This involved discussing the financial results, the regulatory environment, investments to optimize the company's structure, overseeing additional control procedures and cybersecurity. Alongside this, it dealt with a range of additional subjects at its regular meetings and within its four committees: The Audit Committee, Remuneration and Appointment Committee, Trading and Technology Committee, and the Risk Committee.

Regulatory changes were deliberated extensively. Key among these were the EU Capital Requirements Regulation (CRR) and the Shareholder Rights Directive II (SRD II). SRD II aims to strengthen the position of shareholders. This includes giving shareholders the right to vote every 4 years on the remuneration policy for the management board and supervisory board members and to provide an advisory vote annually on the remuneration report. The CRR stipulates capital and liquidity requirements relevant to Flow Traders. The upcoming new prudential requirements under IFR and IFD were also discussed. The company conforms to the CRR and prime broker requirements, highlighting its solid capital base. Over the

"Flow Traders' hiring criteria always involves finding the most qualified and talented candidates, irrespective of ethnic back- ground, gender, sexuality or religion"

course of the year the Supervisory Board also scrutinized the company's move into additional asset classes, including Fixed Income. This involved discussing the impact, the required management and oversight, and the main risks and benefits such steps will have.

Other important discussion topics were the company's future growth profile culture and core values, succession planning and diversity, including gender diversity. Flow Traders' hiring criteria always involves finding the most qualified and talented candidates, irrespective of amongst others ethnic background, gender, sexuality or religion in accordance with the company's Equal Opportunity Policy. This year the company welcomed the first women to its trading team, as it hired three female traders. Two have already started in 2019, the third one is scheduled to start in our New York office in 2020. Succession planning for both the Management Board and the Supervisory Board was also discussed, in light of the shift to a single CEO following Sjoerd Rietberg's decision not to seek reappointment. The Supervisory Board would like to acknowledge Sjoerd's contribution and thank him for his long-term efforts at the company.

Looking ahead

Looking ahead to the remainder of 2020, the Supervisory Board will continue to monitor the implementation of the company's strategy, while tracking regulatory developments, including upcoming prudential requirements under IFR and IFD, practical implementation of CSDR and the MiFID II revision. Another key area of focus is ensuring that the company operates in as efficient manner as possible. Given Flow Traders operates within a dynamic and fast changing environment, talent retention is essential so that the company has the awareness and ability to react accordingly and appropriately.

Han Sikkens, whose term expires in 2020, has conveyed to the Supervisory board his intention to not stand for reappointment. Furthermore, in 2020 we are delighted to welcome Britta Achmann to the company and the management board as Chief Risk Officer, subject to shareholders approval.

Regards,

Eric Drok
Chairman of the Supervisory Board

Supervisory Board report

Meetings of the Supervisory Board

In 2019 the Supervisory Board members met seven times to hold formal Supervisory Board meetings and met several times without holding a formal meeting. Examples of meetings without holding a formal meeting include a preparation session for the AGM, education and strategy days and the self-assessment day. During these meetings a number of topics, including the following, were discussed:

- **The company's strategy**
  The company's Management Board focuses on the long-term value creation of the company and has involved the Supervisory Board in translating this long-term value creation into the company's strategy. The Supervisory Board regularly discusses the strategy, the implementation of the strategy, and any associated risks. This includes the merger of the dealing rooms in Asia. In August 2019, the Management Board and Supervisory Board went off-site to comprehensively discuss the company's strategy and related long-term value creation. The Supervisory Board agreed on financial and non-financial KPIs of the Management Board, these KPIs are further explained in the chapter Our governance.
- **Strategy-associated risks**
  Reviewing the company's risk assessment processes and the monitoring of the company's internal risk management and control systems remain a priority and joint responsibility of the Supervisory Board and all committees. The assessment comprises an overview of all relevant risks the company is exposed to, the internal controls in place to address these risks, and the Management Board's views on such risks.
- **Succession planning and diversity**
  The terms of three Supervisory Board members expired in 2019. The terms of one Supervisory Board member will expire in 2020, hence succession planning of the Supervisory Board formed an important topic of discussion during the Supervisory Board and Remuneration & Appointment Committee meetings. Following the transition from five Management Board members to three Management Board members during 2019, the succession planning of the Management Board was also discussed. When discussing succession planning, the company's Equal Opportunity Policy is always taken into account.
- **Culture and core values**
  Culture has always and will always form a very important role within Flow Traders. Culture and the company's core values have been regularly discussed during the Remuneration & Appointment Committee meetings and the Supervisory Board meetings. The Whistleblower Policy and the company's Code of Conduct and the awareness of employees thereof have been discussed often during the year.
- **New legislation and regulation**
  The Supervisory Board was regularly updated and discussed upcoming regulation and implementation of new regulation. This includes the revision of the European capital and remuneration requirements set out in the EU Investment Firm Regulation and EU Investment Firm Directive and the implementation of the Shareholders Rights Directive II. During the Supervisory Board meetings, there were regular updates on specific projects and the company's regulatory capital requirements under CRR and other prime broker capital requirements.
- **Financial results**
  The Supervisory Board was updated on the company's financial, legal and compliance risks through the Audit Committee and the Risk Committee. Other topics discussed were the annual, half-yearly and quarterly results.
- **The company's governance structure and related documentation**
  Each year the Supervisory Board assesses all of the company's policies, By-Laws and Terms of Reference of each of the committees. In 2019 the By-Laws of the Supervisory Board and the Management Board were reviewed, amended and re-adopted twice, as well as the Terms of Reference of the Audit, Risk and Trading & Technology Committee. In 2019, a new related party transaction policy was adopted.
- **Industry-related updates**
  Relevant updates and educations sessions were provided by the heads of specific departments and external advisors. This included updates and education sessions about cybersecurity and new asset classes.
- **Large investments**
  The Management Board explained and discussed any large investments with the Supervisory Board.

- **Remuneration and variable compensation of Management Board and employees**
  The Remuneration & Appointment Committee updated the Supervisory Board on remuneration and variable compensation plans for both employees and the Management Board. The implementation of the Shareholders Rights Directive II and succession planning were regularly discussed during the meetings.
- **The Internal Audit Function**
  The recommendations of the Internal Audit Function, the functioning of the Internal Audit Function and the progress on the Internal Audit Plan 2019 have been discussed and followed up during 2019.
- **Attendance Supervisory Board**
  The table on the right shows the attendance record of the Supervisory Board members of the Supervisory Board Meetings and the various committee meetings. The attendance is shown as number of meetings attended out of the total number of meetings held. The Management Board also attended each meeting in full or in part. All physical meetings except for one, were held at the company's offices in Amsterdam. Several meetings were held via conference call. The Supervisory Board meetings achieved an average attendance rate of 93 percent.

	Supervisory Board	Audit Committee	Remuneration & Appointment Committee	Risk Commmittee	Trading & Technology Committee
Eric Drok	7/7	7/7	6/6	3/3	3/3
Olivier Bisserier	7/7	7/7	–	3/3	3/3
Rudolf Ferscha	7/7	–	6/6	3/3	3/3
Roger Hodenius	6/7	–	5/6	3/3	3/3
Jan van Kuijk	6/7	6/7	5/6	3/3	3/3
Han Sikkens	6/7	5/7	–	3/3	2/3

Evaluation of the Supervisory Board

The Supervisory Board discussed the outcome of the self-assessment of 2018, and the follow-up on conclusions of that self-assessment. As a result of the conclusions of the 2018 assessment, the Supervisory Board continued the initiative launched in 2018 to host a dedicated Strategy Day. Additionally, the Supervisory Board ensured a clear link between the company KPI's and its strategy.
In 2019 the Supervisory Board also reviewed its own performance using a combination of an electronic survey and a group discussion. Using the same questionnaire year over year enabled comparisons with last year's results. Compared to 2018, the Supervisory Board concluded that it has continued to function well. Specific items for follow up that arose this year included continued focus on strategy, the composition of the Supervisory Board and in-depth knowledge of the business of Flow Traders and its regulatory environment.

The Supervisory Board's self-assessment includes an independence-assessment. The independence assessment in 2019 was led by Eric Drok as independent Chairman of the Supervisory Board and Rudolf Ferscha as independent Chairman of the Remuneration & Appointment Committee. Following the assessment, the Supervisory Board confirmed the independence of the board members Olivier Bisserier, Rudolf Ferscha, Eric Drok and Han Sikkens. Roger Hodenius and Jan van Kuijk were considered non-independent Supervisory Board members. For additional information, please refer to the chapter Our governance.

Evaluation of the Management Board

The performance of the CEO is discussed at least two times a year between two Supervisory Board members.
The performance of the CTrO and the CTO are discussed at least two times a year between a Supervisory Board member and the CEO. During performance discussions, the representatives speak with the Management Board members individually and with the Management Board as a whole. Guiding structures for these conversations include the Management Board KPI overview, the strategic project goals set for 2019, culture and team performance. Based on these discussions the Remuneration & Appointment Committee provides feedback regarding its view on the Management Board's performance to the Supervisory Board, to guide year-end discussions on variable rewards.

Profile of the Supervisory Board

The Supervisory Board Profile provides that the qualifications of a particular candidate and fit with the company's needs shall always prevail when filling a position. When selecting members, the Supervisory Board aims for a balance in nationality, gender, age, experience, and active or retired backgrounds. In addition, balance in the experience and affinity with the nature and culture of the business of the company will be sought. The Supervisory Board strives to realize a diverse composition in the nomination and appointment process for vacancies, while taking into account the overall profile and selection criteria for appointments of suitable candidates to the Supervisory Board. As such, diversity, including gender-related, is an important consideration in the selection process for the (re) appointment of Supervisory Board members.
The Supervisory Board Profile can be found on our website: www.flowtraders.com.

Equal Opportunity Policy (Diversity Policy)

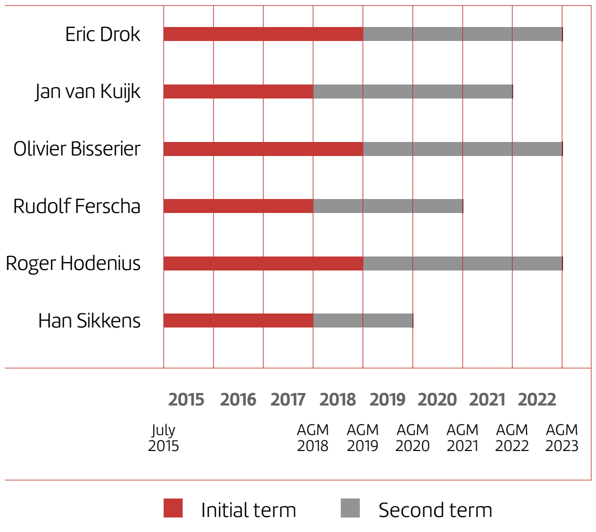
The company has an Equal Opportunity Policy in place. In this policy we explain our objective to treat everyone equally during the hiring process and throughout their careers at Flow Traders. We are committed to being a truly equal opportunity employer, by recruiting, retaining and promoting people based on merit, and merit alone. We are a firm believer in the benefits of a diverse workplace and we do not make any concessions to quality. Our objective is to provide equal employment opportunities to all qualified job applicants and equal career perspectives for all of our employees, provided they perform highly. When positions become available, we actively encourage all candidates to apply and ensure that the selection and retention processes are truly equal for all applicants and employees. This also holds for our Management Board and Supervisory Board.

When it comes to diversity in the Supervisory Board and the Management Board, we adhere to the same principles of equal opportunity as set out above. As a result, our current Supervisory Board is diverse in terms of, inter alia, age, education, nationality, and professional backgrounds. Our Equal Opportunity Policy can be found on our website www.flowtraders.com.

Succession planning

As announced in September 2018, Sjoerd Rietberg has taken the decision not to opt for reappointment as Management Board member and Co-CEO in 2019. In 2018 it was also announced to propose Dennis Dijkstra for reappointment as sole CEO of Flow Traders N.V. Until 8 May 2019, the Management Board consisted of four members. Starting on 8 May 2019, the Management Board consisted of three members. The full size and composition of the Management Board was discussed regularly during 2019. Our Equal Opportunity Policy was an important topic during these discussions. Eric Drok, Olivier Bisserier and Roger Hodenius were reappointed as member of the Supervisory Board in 2019. The Equal Opportunity Policy was taken into account regarding the reappointments of the Supervisory Board members. The figure in the middle column shows the terms of (re)appointment for all Supervisory Board members.

Supervisory Board rotation schedule



Independence of the Supervisory Board

The Chairman of the Supervisory Board is not a former member of the company's Management Board and is independent within the meaning of best practice provision 2.1.8 of the Corporate Governance Code. Supervisory Board members Jan van Kuijk and Roger Hodenius do not qualify as independent under the provisions of the Corporate Governance Code as they, as founders of Flow Traders, are former members of the company's Management Board and represent shareholders of the company.

Committees

The Supervisory Board has four committees: the Audit Committee, the Remuneration & Appointment Committee, the Trading & Technology Committee, and the Risk Committee. Each committee has a preparatory and/or advisory role to the Supervisory Board and reports to the Supervisory Board accordingly. Both the Chairman of the Audit Committee and the Chairman of the Remuneration & Appointment Committee qualify as independent under the provisions of the Corporate Governance Code. The Trading & Technology Committee and the Risk Committee were established to cater for the monitoring of and advising on specific business related topics and reflect our business model of focusing on pricing, cutting-edge technology platform and risk management. These committees are chaired by the founders and former Management Board members of the company. For more information on the responsibilities of our committees, please refer to the chapter Our governance.

The composition of the committees is as follows:

The committees report to the Supervisory Board by sharing their advice and recommendations during the Supervisory Board meetings and by providing an update of the deliberations during the Supervisory Board meetings. All meetings except for one, were held at the company's offices in Amsterdam.

Audit Committee

The Audit Committee met seven times in 2019, with an overall attendance rate of 89%. Other attendees included the CEO, the Global Head of Finance, the Global Head of Internal Audit, who had a standing invitation to each meeting, and the external auditor.

During these meetings, the Audit Committee discussed the annual results, the half-yearly results and the quarterly results and shared the items discussed with the Supervisory Board. Other topics discussed included the Management Board's methods for the assessment of the effectiveness of the design and operation of the company's internal risk and control systems, new and proposed legislative initiatives

Audit Committee	Remuneration & Appointment Committee	Trading & Technology Committee	Risk Committee
Olivier Bisserier (Chairman)	Rudolf Ferscha (Chairman)	Jan van Kuijk (Chairman)	Roger Hodenius (Chairman)
Eric Drok	Eric Drok	Olivier Bisserier	Olivier Bisserier
Jan van Kuijk	Roger Hodenius	Rudolf Ferscha	Jan van Kuijk
Han Sikkens	Jan van Kuijk	Roger Hodenius	Han Sikkens
		Han Sikkens	Rudolf Ferscha
		Eric Drok	Eric Drok

"Leveraging the scale and capabilities of our ETP proprietary technology platform, Flow Traders has been able to also trade an increasing volume of the underlying asset classes in 2019 mainly in FICC"

related to accounting, auditing and financial reporting, tax planning, tax strategy and monitoring, the company's compliance with rules and regulations, the company's Code of Conduct, the company's financing strategy (including the interim dividend proposal) and the methods used to assess the effectiveness of the internal and external audit processes. The company's external auditor, Ernst & Young Accountants LLP (EY), attended all meetings, except for one additional ad hoc meeting for which the minutes of that meeting where shared with the company's external auditor. Topics discussed with the external auditor included the financial statements over the financial year 2018, recommendations on the basis of the annual report, their audit plan for the financial year 2019 and their interim review report. The Audit Committee reviewed the management letter and recommendations included in the auditor's report, as issued by the external auditor and discussed the actions taken by management to address any recommendations and observations. The Audit Committee evaluates the performance of the external auditor and discusses this with the Supervisory Board and subsequently with the external auditor. In light of this, the Audit Committee advises the Supervisory Board about the reappointment of the external auditor, before the Supervisory Board determines its nomination for the appointment of the external auditor to the General Meeting. Given the nature of our business, the application of information and communication technology by the company, including risks relating to cyber security, are discussed in detail in the Trading & Technology Committee. Subsequently, key items in respect of these items are also discussed in the Audit Committee.

External auditor

The Audit Committee and the Management Board reported to the Supervisory Board on EY's functioning as the external auditor, the company's relationship with the external auditor, on its fees, as well as on other audit and non-audit services it provided to the company. EY performed a review of the company's interim financial statements and issued an unqualified review report. The Audit Committee evaluated the qualifications, performance and independence of EY, taking into account the opinions of the Management Board. The Audit Committee also obtained a report from the external auditor regarding, among other topics, its internal quality control procedures. EY confirmed its independence from Flow Traders in accordance with the professional standards applicable to it. EY's lead audit partner was present at all, but one, of the Audit Committee meetings held in 2019. Based on the information provided by the Audit Committee, the Supervisory Board nominated EY as external auditor at the company's General Meeting in 2019. Subsequently, EY was reappointed by the General Meeting as external auditor for the financial year 2019.

Internal audit function

The Internal Audit Function (IAF) executed audits that form part of the internal audit plan, approved by the Supervisory Board. Focus areas in this audit plan included the resilience of our trading systems, transparency and IT processes. The Audit Committee and the Global Head of Internal Audit discussed the audit results (findings, observations, recommendations, management feedback and follow-up). The Audit Committee maintains regular dialogue with the IAF. More information can be found in the chapter Our governance.

Remuneration & Appointment Committee

The Remuneration & Appointment Committee met six times in 2019, with an overall attendance rate of 92%. Other attendees to the meetings included the (co-)CEO and the Global Head of HRM & Recruitment. During the meetings the Remuneration & Appointment Committee discussed the company's culture in general, the General Remuneration Policy, the Equal Opportunity Policy, and drafted proposals to the Supervisory Board for the remuneration practices to be pursued for the Management Board and staff of the company. It also outlined proposals for the remuneration of the individual members of the Management Board for adoption by the Supervisory Board. The size, composition and functioning of the Supervisory Board and Management Board was reviewed and findings reported to the Supervisory Board. Other duties included the monitoring of developments of the Corporate Governance Code and regulations in relation to remuneration policies and the preparation of the Remuneration Report.

Before determining the remuneration of the Management Board members, the Remuneration & Appointment Committee took note of the individual Management Board members' views with regard to the amount and structure of their own remuneration.

Trading & Technology Committee

The Trading & Technology Committee met three times in 2019, with an overall attendance rate of 94%. As the core business of the company is discussed in this committee, all of the Supervisory Board members are members of the Trading & Technology Committee. The committee addresses trading topics such as, but not limited to, the general market conditions, the (relative) performance of the trading desks across the various regions Flow Traders operates in, Flow Traders' focus areas and growth strategies. Competitiveness, infrastructure and trading relationships, innovation and (cyber-) security were the main technology topics discussed during the year.

Risk Committee

The Risk Committee met three times in 2019, with each meeting fully attended. Invitees of the meeting were the Management Board members, the Head of Risk and relevant others. The main focus in the meetings was the Management Board's risk assessment. The attendees discussed in detail the relevant risks the company is exposed to, the internal controls in place to address these risks, the Management Board's views on such risks, as well as the effectiveness of the design and operation of the internal risk management and control system.
The committee has discussed the way material risks and uncertainties have been analyzed and discussed, the ICAAP and the Capital Requirement Regulation were also topics of discussion. More information can be found in the chapter Our governance.

Financial statements and dividend

The 2019 financial statements were prepared by the Management Board. They were discussed both with the Audit Committee and the Supervisory Board, in attendance of EY. The financial statements were audited by EY, who issued an unqualified auditor's report. Reference is made to the auditor's report on page 122 of the financial statements. The Supervisory Board approved the financial statements as audited by EY, including the company's dividend proposal. We invite the General Meeting to:

- adopt the financial statements for 2019;
- adopt the dividend proposal as proposed by the Management Board and approved by the Supervisory Board; and
- discharge the Management Board for their management and the Supervisory Board for its supervision of the company in the financial year under review.

Information on the remuneration of the Management Board members can be found in the chapter Remuneration.

Thank you

Finally, the Supervisory Board would like to thank the members of the Management Board and all of Flow Traders' employees for their tireless efforts and flexibility during the past year.

Amsterdam, 27 February 2020

Eric Drok
Jan van Kuijk
Olivier Bisserier
Rudolf Ferscha
Roger Hodenius
Han Sikkens

Remuneration report

Remuneration

Key principles and policy

Our global remuneration model reflects our key principles achieved through the practical implementation of the current General Remuneration Policy (as approved by the General Meeting on 19 May 2016 and published on our website, the 'General Remuneration Policy'), the Dutch Act on Remuneration Policy of Financial Undertakings (Wet Beloningsbeleid Financiële Ondernemingen, the 'Remuneration Act'), and the related laws and regulations in a manner that is tailored to the size of our enterprise and the way it is organized, as well as the nature, scope and complexity of our business activities.

The Remuneration Report in respect of the Management Board remuneration and the Supervisory Board remuneration assume to reflect the reporting requirements as provided by article 2:135b of the Dutch Civil Code (DCC), effective as per 1 December 2019 and implementing the EU Shareholder Rights Directive II (SRD II). We take note of the non-binding Guidelines on the standardised presentation of the remuneration report under Directive 2007/36/EC ("Guidelines"). Currently these Guidelines are still in draft form. The Supervisory Board will propose amendments to the Remuneration Policy at the next Annual General Meeting to be held on 24 April 2020. Every year, the implementation of the Remuneration Policy, through the Remuneration Report, is put forward for an advisory vote to the AGM (in line with article 2:135b sub 2 DCC), the first time at the 2020 AGM.

Key principles of the Remuneration Policy include that it is consistent with, and promotes, sound and effective risk management. It encourages alignment of the risks taken by employees and of the company itself, and does not encourage risk taking which is inconsistent with our risk profile. It is in line with our business strategy, objectives, values and interests and includes measures to avoid conflicts of interest. Finally, it must not lead to the risk that third parties are treated improperly (although we do not provide any investment service or ancillary service to third parties).

Our global remuneration model

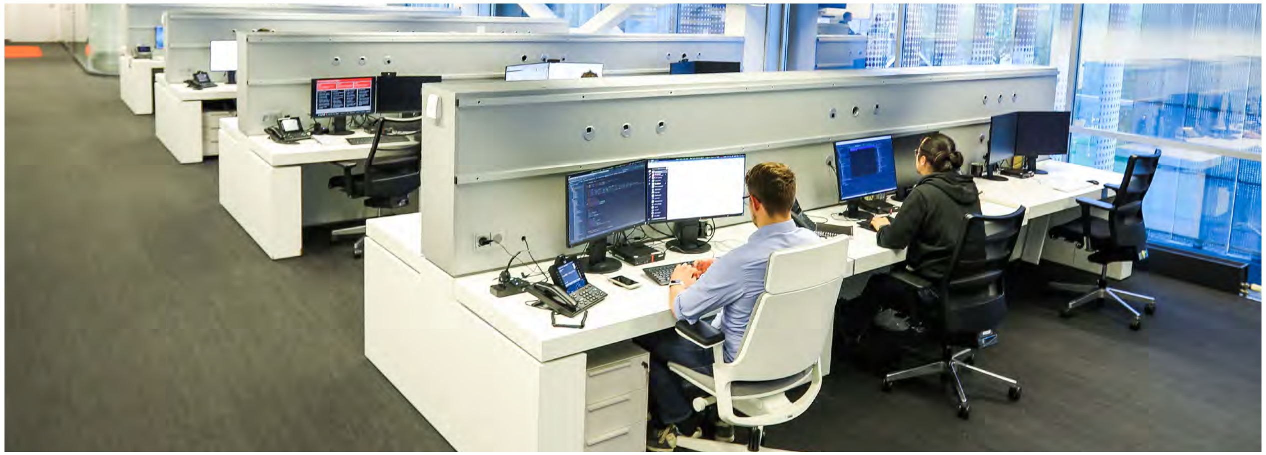
We are committed to attracting and retaining the best talent available. Our staff, including the members of the Management Board, receive competitive remuneration packages. This includes a fixed gross salary and a share from the singular firm-wide variable remuneration pool.
The remuneration pool is accrued throughout the year based on Flow Traders' operating result over the performance year reflecting company performance.
The variable component of the total remuneration is dynamic, as it is a function of operating results: if there is no or insufficient profit or capital, there will be no variable remuneration. For example, if in any given year no profit is made, none of our employees will receive any variable remuneration. If the company incurs a loss, deferred variable remuneration is reduced or forfeited entirely.
This policy also applies to members of the Management Board.

We apply an annual performance cycle. At the beginning of each calendar year clear objectives are set depending on an employee's role, which are in line with our company objectives for the year and our corporate key competencies: drive, ownership and teamwork. Performance is reviewed four times a year.
Individual variable remuneration payable from the collective variable compensation pool is dependent on company and business unit performance, individual performance and the individual's contribution to the long-term success of the company as a whole, discouraging a culture of 'star' behavior and fostering collaboration and teamwork. Flow Traders does not base variable remuneration directly on financial results achieved individually. The Supervisory Board approves the awarding of variable remuneration.

If awarded, for most recipients variable remuneration is paid in cash in two or three annual instalments. The deferred variable component acts as a first loss tranche to compensate for any operating loss in the subsequent year, acting as a buffer before such loss would impact shareholder equity. This serves as an important incentive for risk-aware behavior, keeping in mind the long-term objectives of the company and alignment with our risk appetite. We deem the deferral period sufficient given the company's risk profile and horizon. Variable remuneration components may become subject to reduction or claw back if it is determined that the relevant employee or member of the Management Board did not meet adequate norms of competence and appropriate behavior or was responsible for behavior that led to a substantial deterioration of the company's position, in accordance with applicable law.

We do not award guaranteed variable remuneration to employees unless the guaranteed variable component is awarded in relation to hiring new staff, limited to the first year of employment, and only if we have a sound and strong capital base. We do not award severance payments if there is a serious imputable act or negligence by the employee in the fulfilment of his or her function or where an employee resigns voluntarily (unless this is the consequence of a serious imputable act or negligence (ernstig verwijtbaar handelen of nalaten) by the company). The company did not grant its employees any personal loans, guarantees or the like as part of their compensation package in 2019.
No employee loans, guarantees or the like were outstanding on 31 December 2019. We do not provide any other ancillary benefits for any employee. We have not reserved or accrued any amounts to cover pension claims or retirement claims.

One of our core values is ownership, and we mean it both in terms of mindset and behavior as well as literally. We believe that being a shareholder aligns the interests of the company with those of our employees. To promote shareholding and reward loyalty we introduced the Flow Cash Incentive Plan (FCIP) in 2017 and promote the Flow Loyalty Incentive Plan (FLIP). Under the FCIP employees are offered the opportunity to buy company shares in the first open period of the year and receive an attractive annual cash incentive over a five-year period for as long as the shares are held by the participant. The right to the cash incentive is forfeited if the participant transfers his or her shares out of the FCIP or when the employment of the participant with Flow Traders ends. With the FLIP program, company shares are awarded to employees marking their two-year anniversary with the company. Shares awarded under the FLIP are subject to a lock-up period and remain with the employee regardless of the termination of his or her employment with Flow Traders. The cash incentive under the FCIP, as well as the shares awarded under the FLIP, are fully paid out from the variable compensation pool. The FCIP and the FLIP terms and conditions are subject to review by the Management Board annually. Both plans were approved by the Supervisory Board in 2017. As a part of these plans, shares have been and will be bought in the market.



The Management Board is not eligible to participate in either of these plans.

We encourage our employees to save for retirement. At our headquarters in Amsterdam, we partner with a pension provider, giving employees the freedom of choice to select the option that best suits their individual needs while incentivizing participation in the company-sponsored program. In our other offices we offer schemes that are driven by country-specific practices and regulations.

Management Board Remuneration

Introduction

The remuneration of, and other agreements with, the members of the Management Board are required to be determined by the Supervisory Board with due observance of the General Remuneration Policy and applicable laws and regulations. The Supervisory Board has assessed the remuneration of our Management Board members based on their performance in 2019.

The remuneration of our Management Board members consists of a relatively modest fixed base salary and a variable, partially deferred, remuneration in cash. The variable pay element depends on company performance, individual performance, and how a Management Board member contributed to the long-term success of the company as a whole In order to control the level of fixed costs within Flow Traders, provide effective risk mitigating incentives and provide significant rewards for employees and members of the Management Board only if the firm is actually profitable, the ratio between fixed and variable pay is skewed towards variable pay. Also, 'clawback' clauses apply, so variable pay already paid or awarded must be paid back under certain conditions, some relating to the financial viability of the company.

Total remuneration

All members of the Management Board were awarded a gross fixed base salary of €94,608 over 2019. In addition they were awarded variable remuneration related to their individual and team performance and the performance of the company. The table below shows the total remuneration awarded to the individual members of the Management Board over 2019. No shares or other financial instruments were awarded.

TOTAL REMUNERATION OF DIRECTORS

	Fixed remuneration			Variable remuneration		Extraordinary items	Pension scheme	Total remuneration	Proportion of fixed and variable remuneration	
Name of Director, position (start/end)	Base salary (€)	Fees	Other benefits	One-year variable	Multi-year variable				Fixed	Variable
Dennis Dijkstra, CEO (2014 -)	94,608	–	–	600,000	–	–	–	694,608	14%	86%
Folkert Joling, CTrO (2018 -)	94,608	–	–	600,000	–	–	–	694,608	14%	86%
Thomas Wolff, CTO (2018 -)	94,608	–	–	450,000	–	–	–	544,608	17%	83%
Sjoerd Rietberg Co-CEO (2014 – 8 May 2019)	94,608	–	–	150,000	–	–	–	244,608	39%	61%

[1] *Above fixed salaries are all presented as if employed for the full year.*

Incentives from previous share plans

Prior to their appointment into the Management Board, Chief Trading Officer Folkert Joling and Chief Technology Officer Thomas Wolff had participated in the Flow Traders Cash Incentive Plan 2017 (FCIP 2017). Under the FCIP plan rules they were offered the opportunity to buy Company shares and receive an annual cash incentive over a five year period. The right to these incentives would have been forfeited due to ceasing to be an employee and becoming a member of the Management Board in April 2018. However, special permission has been granted to both Management Board members to remain entitled to the incentive rights under the FCIP plan rules in respect of the shares bought under the FCIP at the time they were an employee of Flow Traders rather than a member of the Management Board. As a result, they have both received €8,000 annual cash incentive.

Variable remuneration

Based on actual performance over 2019, all members of the Management Board combined received an aggregate variable compensation of €1,800,000. The variable remuneration awards to the members of the Management Board are determined on the basis of the following principles:

- First, the maximum variable remuneration is set by the Supervisory Board within the limits of the firm-wide variable remuneration pool for a given year. As set out above, the pool is approximately 35 percent of the operating result and is directly contingent upon a positive operating result. Financial performance indicators are therefore integrated into this self-correcting mechanism: the variable remuneration of the members of the Management Board will be a direct reflection of actual realized company performance.

- Second, within those limits, the variable remuneration is determined annually on the basis of a management-assessment performance framework. This framework translates Flow Traders' strategic business objectives into predetermined, assessable performance criteria that can be influenced by the Management Board's performance within a Balanced Performance Scorecard. This Scorecard is composed of four non-financial focus areas, which aim to robustly assess the Management Board member's performance within Flow Traders' operating environment and stakeholder interests. These four areas comprise Growth, External Relationships, Internal Processes / Excellence, and People and Culture.
- Third, each year – within the Balanced Performance Scorecard framework – the Supervisory Board sets targets for the individual Management Board members for specific performance elements. These are assessed annually, in order to determine management's performance and variable remuneration.
- Fourth, during the year, the Supervisory Board discusses performance with the individual Management Board members in mid-year and year-end assessment meetings. The main messages and the year-end assessment of KPI's for the individual Management Board members are included in their year-end letter which also communicates their variable remuneration for the year.

BALANCED PERFORMANCE SCORECARD

Growth

- Increase footprint in US markets
- Continue to expand into other asset classes
- Scale up new initiatives

External Relationships

- Increase number of trading counterparties
- Ensure continuous compliance with rules and regulations and maintain positive relationships with regulators
- Keep the investor community properly informed
- Deepen relationships with issuers

Internal Process / Excellence

- Further improve latency
- Drive down costs of existing activities
- Minimize compliance and risk incidents
- Consolidate trading floors in Asia

People & Culture

- Maintain attractive and competitive remuneration practices
- Ensure succession planning for key roles
- Uphold a positive and challenging environment for employees

The above principles for determining variable remuneration were applied in the following manner in 2019.

1. Setting the maximum variable remuneration within the limits of the firm-wide variable remuneration pool

As a result of lower operating results, the firm-wide variable remuneration pool for 2019 was considerably lower than in 2018 (€24.6 million in 2019 vs €87.6 million in 2018).

The available pool is one the key drivers of variable remuneration and compared to last year, it has meant significantly reduced levels of Management Board variable remuneration.

2. Balanced Performance Scorecard

See above table 1, for the elements that were included in the 2019 Balanced Performance Scorecard (Growth, External Relationships, Internal Process Excellence and People &

Culture). These elements represent the company wide objectives for which the performance of the Management Board as a team was assessed.

3. Individual targets

Within the Balanced Performance Scorecard framework, also individual targets were set for the Management Board members, tailored to their specific role and responsibilities. These included amongst others financial targets on Net Trading Income and product diversification, non-financial but quantifiable targets on operational performance and reaching milestones in further strengthening the control framework.

4. Assessing performance

Overall, Flow Traders' financial performance reflected the subdued market circumstances. However, the Management Board improved efficiency and maintained a tight control on execution and process management throughout the company. Lastly, the Management Board invested in people and technology as part of executing Flow Traders' growth strategy.

Adjustments to variable remuneration

Variable remuneration to members of the Management Board is paid in cash in multiple annual instalments and may be reduced or clawed back under circumstances described in the Remuneration Act. As explained in the section above on our global remuneration model, the deferred variable component acts as a first loss tranche to compensate any operating loss in the subsequent year, before such loss would impact shareholder equity. If the company incurs a loss, deferred variable remuneration is reduced or forfeited entirely. In addition to the reduction and claw back provisions of the Remuneration Act, Dutch law and the Corporate Governance Code provide that the remuneration of the members of the Management Board may be reduced or they may be obliged to repay (part of) their variable remuneration to the company if certain circumstances apply.

Pursuant to the applicable laws and regulations, any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied, the Supervisory Board will have the power to adjust the value downwards or upwards. In addition, the Supervisory Board will have the authority under applicable Dutch law, including the Remuneration Act, to recover any variable remuneration awarded from a member of the Management Board on the basis of incorrect financial or other data (claw back). In addition, variable remuneration components may become subject to claw back and malus pursuant to the Remuneration Act and related regulations.

Pursuant to Dutch law, the Supervisory Board may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets and the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to requirements of reasonableness and fairness.

Scenario analyses carried out in respect of variable remuneration

The variable remuneration of the members of the Management Board is contingent upon a future, unknown, metric: the accrued firm-wide variable remuneration pool which itself depends on the operating result for the given financial year.

Because of the nature of our business activities and the fast paced industry in which we operate, the Supervisory Board tracks actual performance of the Management Board members and eligibility for variable remuneration throughout the year, rather than performing a more hypothetical scenario analysis prior to a financial year while performing a single, one-off, assessment at the end of the year as set out in the best practice provisions of the Corporate Governance Code. Half-yearly discussions take place between the Management Board members and the Remuneration & Appointment Committee for this purpose. Targets are set for each individual Management Board member and the Management Board as a whole. Significant underperformance or overperformance in respect of these targets can result in reductions or increases of the profit share that is awarded to a Management Board member.

As mentioned, compensation of the members of the Management Board is limited to a relatively modest fixed remuneration component and a variable component dependent on operating result being realized. They did not receive share-based remuneration or other elaborate incentive schemes. This limits the number of scenarios to be meaningfully assessed as prescribed by the best practice provisions.

Relation between company performance and Management Board Remuneration

The remuneration of our Management Board members is volatile and highly correlated with the company results. This is clearly illustrated in the table below which shows the development of the company performance and the average (full-time) remuneration of executives and employees since Flow Traders' IPO in 2015. The table demonstrates that when the Net Trading Income and EBITDA go down, the absolute Management Board remuneration goes down. Similarly, when indicators for company performance go up, the Management Board remuneration goes up (provided of course that the individual Management Board member has been performing well).

COMPARATIVE TABLE ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE REPORTED FINANCIAL YEARS

Annual change (numbers in thousands)		2016 vs 2015	2017 vs 2016	2018 vs 2017	2019 vs 2018	2019
Director's Remuneration (€)						
Dennis Dijkstra, (co-)CEO (2014 –)	Actual change	(1,228,250)	(1,388,107)	2,493,897	(2,320,540)	694,608
	Relative change	(39%)	(73%)	478%	(77%)	
Sjoerd Rietberg, co-CEO (2014 – 5/2019)	Actual change	(1,228,250)	(1,388,107)	2,493,897		244,608
	Relative change	(39%)	(73%)	478%		
Marcel Jongmans, CFO (10/2016 – 12/2018)	Actual change			816,021		–
	Relative change			171%		
Folkert Joling, CTrO (4/2018 –)	Actual change				(2,270,540)	694,608
	Relative change				(77%)	
Thomas Wolff, CTO (4/2018 –)	Actual change				(1,547,020)	544,608
	Relative change				(74%)	
Company's performance						
Net Trading Income (NTI) €million	Actual change	(54.7)	(84.1)	217.5	(167.0)	216.4
	Relative change	(18%)	(34%)	131%	(44%)	
EBITDA margin	Actual change	(3.90%)	(13.70%)	18.30%	(15.60%)	36.5%
	Relative change	(8%)	(29%)	54%	(30%)	
Basic and fully diluted earning per share	Actual change	(0.78)	(1.13)	2.61	(2.31)	1.15
	Relative change	(28%)	(57%)	307%	(67%)	
Average remuneration on a full-time equivalent basis of employees						
Employees of the company	Actual change	(111,632)	(131,480)	132,380	(128,600)	149,300
	Relative change	(29%)	(47%)	91%	(46%)	

Our reference market would be defined as other proprietary trading firms including but not limited to for example IMC and Optiver. However, most of these firms do not publicly disclose remuneration of their executives. Therefore, due to limited data availability, no meaningful market comparison can actually be performed.

The 2019 pay ratio (CEO total pay vs average total employee pay) is 4.65 compared to 10.8 in 2018.

No shares, pensions, loans and other benefits

In 2019 the members of the Management Board did not receive any shares and no personal loans, guarantees or the like were granted by the company to the members of the Management Board as part of their compensation package. No loans, guarantees or similar instruments to the members of the Management Board were outstanding on 31 December 2019. We have not reserved nor accrued any amounts to cover pension claims or retirement claims. We do not provide any other ancillary benefits for any member of the Management Board.

Limited severance payments

We do not award severance payments to members of the Management Board that exceed 100 percent of their annual fixed remuneration, and do not award severance payments if there is a serious imputable act or negligence by the employee in the fulfilment of their functions, where they resign voluntarily (unless this is the consequence of a serious imputable act or negligence (ernstig verwijtbaar handelen of nalaten) or failure by the company), and we do not intend to award such payments in the future. In addition, relevant limitations apply under the Remuneration Act.

Supervisory Board Remuneration

The General Meeting determines the remuneration of the members of the Supervisory Board following a proposal by the Supervisory Board. The remuneration of the members of the Supervisory Board consists of a fixed base salary and cannot be dependent upon the company's results.

None of the members of the Supervisory Board may receive shares, options for shares or similar rights to acquire shares as part of his or her remuneration. None of the members of the Supervisory Board may hold shares, options for shares or similar securities other than as a long-term investment. The members of the Supervisory Board may also not hold such securities, other than in accordance with the rules on holding or transacting in the company's securities. Members of the Supervisory Board may not accept personal loans or guarantees from the company, other than in the normal course of business and subject to the prior approval of the Supervisory Board. During 2019, the company granted no personal loans, guarantees or the like to the members of the Supervisory Board. No personal loans, guarantees or the like to Supervisory Board members were outstanding on 31 December 2019.

Fixed gross compensation

The table below shows the total fixed compensation awarded to the individual members of the Supervisory Board. There are no separate committee fees paid.

	2019	2018	2017	2016	2015
	Annual fee (€)	Annual fee (€)	Annual fee (€)	Annual fee (€)	Annualized fee[1] (€)
Eric Drok, Chairman SVB (2015)	75,000	75,000	75,000	75,000	75,000
Jan van Kuijk, Vice Chairman (2015)	50,000	50,000	50,000	50,000	50,000
Olivier Bisserier, SVB member (2015)	50,000	50,000	50,000	50,000	50,000
Rudolf Ferscha, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000
Roger Hodenius, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000
Han Sikkens, SVB Member (2015)	50,000	50,000	50,000	50,000	50,000

[1] *Presented as if a Supervisory Board member for the full year*

No variable remuneration shares, pensions, loans and other benefits

The members of the Supervisory Board did not receive variable remuneration for their work as members of the Supervisory Board or any share-based remuneration, and no personal loans, guarantees or the like were granted by the company to the members of the Supervisory Board as part of their compensation package. We have not reserved nor accrued any amounts to cover pension claims or retirement claims. We do not provide any other ancillary benefits for any member of the Supervisory Board.

Remuneration disclosures

In 2019, the total amount of variable remuneration awarded to all employees including members of the Management Board was €24.6 million (2018: €87.6 million).

In 2019, companywide average compensation paid per employee was approximately €149,300, while variable remuneration amounted to around 41 percent of total compensation in 2019. In 2019, no employees, including the Management Board, were awarded remuneration of €1 million or more (2018: 29).

Business Unit	Number of employees to whom an annual remuneration of €1 million or more was awarded		
	2019	2018	2017
Europe	0	15	0
Americas	0	10	0
Asia	0	4	0
Total	**0**	**29**	**0**

Remuneration regulations are subject to change. Currently, the European Commission, European Parliament and European member states are negotiating implementing regulations pertaining to new prudential requirement including remuneration requirements for investment firms (IFR/IFD) which may affect our Dutch trading entity and our Group. We expect more certainty about the outcome during the course of 2020 and early 2021. We continuously monitor such changes but currently cannot assess in full what the exact implementation or impact of such changes will be. Changes may have a significant impact on the General Remuneration Policy, our global remuneration model and other remuneration practices of the company and its group companies. It may also impact our ability to attract or retain talent given the global and highly competitive nature of our industry.

Financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *In thousands of euro*

	Note	At 31 December 2019	At 31 December 2018
Assets			
Cash and cash equivalents	13	5,687	10,054
Financial assets held for trading	14	3,485,698	3,676,807
Trading receivables	15	3,196,439	3,039,875
Other receivables	16	14,592	13,927
Investments fair value through OCI	17	1,271	1,267
Investments in associates	18	202	357
Property and equipment	19	43,301	28,905
Intangible assets	20	1,471	1,281
Current tax assets	12	5,386	4,699
Deferred tax assets	12	1,505	3,001
Total assets		**6,755,552**	**6,780,173**
Liabilities			
Financial liabilities held for trading	21	1,618,864	2,601,529
Trading payables	22	4,701,025	3,700,555
Lease liabilities	23	15,975	-
Other liabilities	24	85,270	125,963
Current tax liabilities	12	2,015	9,857
Deferred tax liabilities	12	1,352	1,218
Total liabilities		**6,424,501**	**6,439,122**
Equity	25		
Share capital		4,653	4,653
Share premium		154,570	154,509
Retained earnings		156,548	167,734
Currency translation reserve		16,234	14,663
Fair value reserve		(954)	(508)
Total equity		**331,051**	**341,051**
Total equity and liabilities		**6,755,552**	**6,780,173**

The notes on pages 84 to 113 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

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

		For the year ended	
	Note	**2019**	**2018**
Gross trading income		352,537	508,916
Fees related to the trading activities		78,308	69,146
Net financial expenses related to the trading activi-ties		57,787	56,329
Net trading income	9	**216,442**	**383,441**
Employee expenses	10	81,289	128,961
Depreciation of property and equipment	19	14,238	8,651
Amortization of intangible assets	20	387	386
Impairment of tangible and intangible assets	19 20	61	295
Other expenses	11	56,250	54,644
Operating expenses		**152,225**	**192,937**
Operating result		**64,217**	**190,504**
Result on equity-accounted investees	17	1,070	3,436
Profit before tax		**65,287**	**193,940**
Tax expense	12	12,150	33,007
Profit for the period		**53,137**	**160,933**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations	25	1,571	4,052
Items not reclassified to profit or loss			
Changes in fair value through OCI		(446)	(222)
Other comprehensive income for the year (net of tax)		**1,125**	**3,830**
Total comprehensive income for the year		**54,262**	**164,763**
Earnings per share			
Basic and fully diluted earnings per share		1.15	3.46

The notes on pages 84 to 113 are an integral part of these consolidated financial statements.

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	-	-	-	-	53,137	53,137
Total other comprehensive income	-	-	1,571	(446)		1,125
Total comprehensive income for the period	**-**	**-**	**1,571**	**(446)**	**53,137**	**54,262**
Transactions with owners of the Company						
Share premium	-	61	-	-	-	61
Dividends declared	-	-	-	-	(62,633)	(62,633)
Treasury shares	-	-	-	-	(1,914)	(1,914)
Share based payments (Note 10)	-	-	-	-	224	224
Total transactions with owners of the company	**-**	**61**	**-**	**-**	**(64,323)**	**(64,262)**
Balance at 31 December 2019	**4,653**	**154,570**	**16,234**	**(954)**	**156,548**	**331,051**

	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	-	-	-	-	160,933	160,933
Total other comprehensive income	-	-	4,052	(222)	-	3,830
Total comprehensive income for the period	**-**	**-**	**4,052**	**(222)**	**160,933**	**164,763**
Transactions with owners of the Company						
Share premium	-	2,053	-	-	-	2,053
Dividends declared	-	-	-	-	(78,969)	(78,969)
Treasury shares	-	-	-	-	(897)	(897)
Total transactions with owners of the company	**-**	**2,053**	**-**	**-**	**(79,866)**	**(77,813)**
Balance at 31 December 2018	**4,653**	**154,509**	**14,663**	**(508)**	**167,734**	**341,051**

The notes on pages 84 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

	2019	2018
		For the year ended
Cash flows from operating activities		
Profit for the period	**53,137**	**160,933**
Adjusted for:		
Depreciation of property and equipment	14,238	8,651
Amortization of intangible assets	387	386
Impairment of tangible and intangible assets	61	295
Result on equity-accounted investees (net of tax)	(59)	(3,436)
Share based compensation	238	-
Tax expense	12,150	33,007
Changes in working capital		
■ Financial assets held for trading	191,109	31,294
■ Trading receivables	(156,564)	(908,093)
■ Other receivables	(665)	(3,625)
■ Financial liabilities held for trading	(982,665)	1,644,836
■ Trading payables	1,000,470	(916,679)
■ Other liabilities	(36,144)	58,775
■ Corporate income tax paid	(19,049)	(24,183)
■ Other	2,525	4,208
Cash flows from operating activities	**79,169**	**86,369**
Cash flows from investing activities		
Disposal of assets held for sale	-	3,522
Acquisition of investment fair value through OCI	(449)	-
Acquisition of property and equipment	(12,185)	(7,405)
Acquisition of intangible assets	(371)	(166)
Cash flows from investing activities	**(13,006)**	**(4,048)**

CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

	For the year ended 2019	2018
Cash flows from financing activities		
Dividends paid	(62,633)	(78,970)
Payments of lease liabilities	(6,119)	-
Capital contributions	61	2,053
Treasury shares	(1,958)	(1,435)
Cash flows from financing activities	**(70,649)**	**(78,352)**
Effect of movements in exchange rates on cash and cash equivalents	118	207
Change in cash and cash equivalents	**(4,367)**	**4,175**
Changes in cash and cash equivalents		
Cash and cash equivalents at opening	10,054	5,879
Cash and cash equivalents at close	5,687	10,054
Changes in cash and cash equivalents	**(4,367)**	**4,175**

Notes to the consolidated financial statements

All amounts in thousands of euro, unless stated otherwise.

1. *Reporting entity*

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

These consolidated 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 consolidated financial statements of the Group for the annual period ended 31 December 2019 incorporate financial information of Flow Traders N.V., its subsidiaries and associates. The annual financial statements were authorized for issue by the Company's Management Board and the Supervisory Board on 27 February 2020 subject to adoption by the General Meeting of shareholders.

2. *Going concern*

These financial statements have been prepared on the basis of the going concern assumption.

3. *Basis of preparation*

a) Statement of compliance

The Group applies International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and title 9 book 2 of Dutch Civil Code. IFRS-EU provides several options in accounting principles. The Group's accounting principles IFRS-EU and its decisions regarding the options available are set out in the section 'Significant accounting policies' below.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items and unless otherwise indicated:

- financial assets and liabilities held for trading are measured at fair value with changes recognized in profit or loss;
- investments fair value through OCI assets are measured at fair value with changes in fair value recognized in other comprehensive income, except for impairment losses which are recognized in profit or loss.

c) Functional and presentation currency

These consolidated financial statements are presented in euros, which is also the Group's functional currency. All financial information presented in euros has been rounded to the nearest thousand, except when otherwise indicated.

Use of estimates and judgements

The preparation of the financial statements requires management to form opinions and make estimates and assumptions that influence the reported value of assets and liabilities and of income and expenditure. The actual results may differ materially from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised. For more details, we refer you to the chapter on Fair values of financial instruments.

d) Principles for the preparation of the consolidated statement of cash flows

The consolidated statement of cash flows is based on the indirect method.

The cash flows are split into cash flows from operations, including trading activities, investment activities and financing activities. Receivables from and payables to clearing organizations are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments other than in the course of operations, as well as acquisitions and sales of subsidiaries and associates, property and equipment.

4. *Significant accounting policies*

The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements.

General

e) Basis of consolidation

The Group accounting policies have been applied consistently by all group entities. Intra-Group balances and transactions, and any unrealized income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any related non-controlled interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over its financial and operating activities. Control or significant influence follows from facts and circumstances, but there is a rebuttable presumption that significant influence when the Group holds between 20 percent and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Business combinations

Business combinations are accounted for using the acquisition method as at the date control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Contingent consideration is measured at fair value at the acquisition date. Any gain or loss resulting from the fair value remeasurement of contingent consideration is recognized in profit or loss.

f) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currencies of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date, with the foreign currency difference recognized in profit or loss. Differences arising on the translation of investments fair value through OCI are recognized in other comprehensive income unless the instrument is impaired.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euros at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euros at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) of equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

h) Financial assets and liabilities

Recognition

The Group initially recognizes loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The Group classifies its financial assets into the following categories:

- trading receivables, measured at fair value through profit and loss;
- investments fair value through OCI;
- financial assets held for trading at fair value through profit or loss; and
- other financial assets at amortized costs.

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, into the following categories:

- trading payables, measured at fair value through profit and loss;
- financial liabilities held for trading at fair value through profit or loss;
- other financial liabilities measured at amortized costs.

Financial assets and liabilities held for trading

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

Trading receivables and payables

Such assets are recognized initially at fair value with any directly attributable transaction costs recognized in profit or loss. These items are valued at fair value through profit or loss on initial recognition and changes in fair value recognized in profit or loss as they arise.

Investments fair value through OCI

Investments fair value through OCI are non-derivative financial assets. Investments fair value through OCI are recognized initially at fair value. Transaction costs are recognized in other comprehensive income as part of the change in fair value at the next remeasurement and they are never reclassified into profit or loss.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than foreign currency differences on fair value through OCI debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is not reclassified to profit or loss.

Other financial liabilities

Non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Hedge of a net investment in foreign operations

The Group applies hedge accounting to hedge the exposure to foreign exchange risk associated with its capital contributions to the United States subsidiaries. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Offsetting

Financial assets and liabilities are presented on a net basis when a legal right of offset is agreed between the parties and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS-EU, for gains and losses arising from a group of similar transactions such as in the Group's trading activities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group prices its daily trading positions based on theoretical prices whereby the price differences are recorded through the profit or loss account. Those theoretical prices can differ from quoted market prices. The Group's Risk and Mid-Office department monitors whether all differences can be substantiated.

Portfolios of financial assets and financial liabilities that are managed by the Group on the basis of the net exposure to either their market or credit risk are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk exposure of each of the individual instruments in the portfolio.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

i) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance costs are expensed once incurred.

Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

- hardware: 5 years;
- office fixtures: 5 years;
- other: 5 years.

The depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 and intangible assets on the statement of financial position.

j) Intangible assets

Recognition and measurement

Intangible assets are amortized on a straight-line basis in profit or loss over the estimated useful lives of each component. The estimated useful life of significant intangible assets is 5 years.

Goodwill

Goodwill is initially recognized and in subsequent years measured at cost less accumulated impairment losses.

Goodwill in respect of equity-accounted investees is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Goodwill is tested annually for impairment.

k) Impairment

Non-derivative financial assets

The allowance for expected credit losses (“ECL allowance”) for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as ‘financial instruments’, is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL).

Impairment losses on investments fair value through OCI are recognized in other comprehensive income and do not reduce the carrying value of the investment.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

For other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However in certain cases, the Group may reconsider a financial asset to be in default when internal or external information indicated that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash variable compensation or (profit-sharing) structures if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

m) Share based payments

Awards of shares granted to certain employees are equity-settled. The cost of these equity-settled transactions is determined by the fair value of the shares at the date when the grant is made and is recognized in employee expenses, together with a corresponding increase in equity (retained earnings), over the period in which the service conditions are fulfilled (the vesting period). The awards vest in tranches on various dates over a total period of three to five years. Vesting is conditional upon the employee being actively employed by the Group on the vesting date. If the employee is terminated or resigns, any unvested tranches of the award will be forfeited.

n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

o) 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.

p) **Income recognition**

Net trading income comprises gross trading income less fees and net financial expenses related to the trading activities.

The fees and net financial expenses are directly linked to the trading activity and are therefore directly recognized in the profit and loss account under trading income.

q) **Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax payable also includes any withholding tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will be revised in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and management judgement. This assessment relies on estimates and assumptions and may involve judgement about future events. New information may become available that would cause the Group to change its judgement regarding the adequacy of existing tax liabilities or the collectability of tax assets. Such changes will impact tax expense in the period that such a change in estimate is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity which intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date.

r) **Treasury shares**

The Group's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. 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 the share premium.

s) **Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

5. *Operating segments*

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

The Group's trading assets and liabilities attributable to each segment are reported to management on the basis of net liquidity. Consequently, the reported total assets in each segment are net of the segment's financial liabilities held for trading and trading payables. The Group's capital expenditures include additions to property, equipment and intangible assets as set out in notes 20 and 21.

SEGMENT REPORTING — For the year ended 2019

	Europe	Americas	Asia	Total
Gross trading income	202,388	105,636	44,513	352,537
Fees related to the trading activities	38,268	34,321	5,719	78,308
Net financial expenses related to the trading activities	25,983	23,676	8,128	57,787
Net trading income	**138,137**	**47,639**	**30,666**	**216,442**
Intercompany recharge	4,441	-	-	4,441
Total revenue	**142,578**	**47,639**	**30,666**	**220,883**
Employee expenses	49,869	17,825	13,595	81,289
Depreciation of property and equipment	7,413	3,946	2,879	14,238
Amortization of intangible assets	326	18	43	387
Impairment of (in) tangible assets	12	29	20	61
Intercompany recharge	-	2,687	1,754	4,441
Other expenses	29,195	18,228	8,827	56,250
Operating expenses	**86,815**	**42,733**	**27,118**	**156,666**
Operating result	**55,763**	**4,906**	**3,548**	**64,217**
Result/(impairment) of equity-accounted investees	1,062	8	-	1,070
Profit before tax	**56,825**	**4,914**	**3,548**	**65,287**
Tax expense	10,187	1,155	808	12,150
Profit for the period	**46,638**	**3,759**	**2,740**	**53,137**
Assets	**210,663**	**177,289**	**47,711**	**435,663**
Capital expenditure	9,445	2,556	786	12,787
Liabilities	**65,796**	**22,994**	**15,822**	**104,611**

SEGMENT REPORTING — For the year ended 2018

	Europe	Americas	Asia	Total
Gross trading income	218,301	236,051	54,564	508,916
Fees related to the trading activities	33,697	27,241	8,208	69,146
Net financial expenses related to the trading activities	30,821	19,504	6,004	56,329
Net trading income	**153,783**	**189,306**	**40,352**	**383,441**
Intercompany recharge	86,880	-	-	86,880
Total revenue	**240,663**	**189,306**	**40,352**	**470,321**
Employee expenses	80,757	29,179	19,025	128,961
Depreciation of property and equipment	5,227	2,060	1,364	8,651
Amortization of intangible assets	320	17	49	386
Impairment of (in) tangible assets	48	200	47	295
Intercompany recharge	-	79,331	7,549	86,880
Other expenses	26,666	19,480	8,498	54,644
Operating expenses	**113,018**	**130,267**	**36,532**	**279,817**
Operating result	**127,645**	**59,039**	**3,820**	**190,504**
Result/(impairment) of equity-accounted investees	3,487	(51)	-	3,436
Profit before tax	131,132	58,988	3,820	193,940
Tax expense	19,437	12,940	630	33,007
Profit for the period	**111,695**	**46,048**	**3,190**	**160,933**
Assets	**201,103**	**225,848**	**51,139**	**478,090**
Capital expenditure	7,183	1,492	1,491	10,166
Liabilities	**87,229**	**33,532**	**16,277**	**137,038**

6. *New standards and interpretations*

In these financial statements IFRS 16 has been applied for the first time. This new standard has limited impact on the financials and is 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 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 recognised and presented in property and equipment in the statement of financial position. This includes lease incentives of €272 previously recognised under other liabilities. Additional lease liabilities of €15,818 were recognized and presented in lease liabilities in the statement of financial position.
- In addition, lease liabilities of €4,549 related to finance leases have been reclassified to lease liabilities which were previously recognised under other liabilities. Leased hardware and software of €3,761 have been reclassified to right-of-use assets.
- These adjustments had no effect on retained earnings.

For more information, refer to notes 19, 20 and 23 for further disclosures on leases.

7. *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 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 31 December 2019
	Level 1	Level 2	Level 3	Total
Long positions in cash market products	123,246	3,360,404	–	3,483,650
Mark to market derivatives assets	–	2,048	–	2,048
Financial assets held for trading	**123,246**	**3,362,452**	**–**	**3,485,698**
Trading receivables	3,196,439	–	–	3,196,439
Investments fair value through OCI	–	1,271	–	1,271
Total long positions	**3,319,685**	**3,363,723**	**–**	**6,683,408**
Short positions in cash market products	21,433	1,597,431	–	1,618,864
Financial liabilities held for trading	**21,433**	**1,597,431**	**–**	**1,618,864**
Trading payables	4,701,025	–	–	4,701,025
Total short positions	**4,722,458**	**1,597,431**	**–**	**6,319,889**

				At 31 December 2018
	Level 1	Level 2	Level 3	Total
Long positions in cash market products	152,425	3,510,091	-	3,662,516
Mark to market derivatives assets	-	14,291	-	14,291
Financial assets held for trading	**153,038**	**3,524,382**	**-**	**3,676,807**
Trading receivables	3,039,875	-	-	3,039,875
Investments fair value through OCI	-	1,267	-	1,267
Total long positions	**3,192,300**	**3,525,649**	**-**	**6,717,949**
Short positions in cash market products	81,567	2,519,933	-	2,601,500
Mark to market derivatives liabilities	-	29	-	29
Financial liabilities held for trading	**81,567**	**2,519,962**	**-**	**2,601,529**
Trading payables	3,700,555	-	-	3,700,555
Total short positions	**3,782,122**	**2,519,962**	**-**	**6,302,084**

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 31 December 2019 was a borrowing of USD115,000,000 which has been designated as a hedge of the net investments in the United States subsidiaries, 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 year ended 31 December 2019			For the year ended 31 December 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	115,000	102,450	1,775	152,500	133,403	3,228

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

	For the year ended 31 December 2019		For the year ended 31 December 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	1,775	1,775	3,228	3,228

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.

8. *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.

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

EARNINGS PER SHARE	For the year ended	
	2019	2018
Profit for the year	53,137	160,933
Profit attributable to ordinary shareholders	**53,137**	**160,933**
Weighted average number of ordinary shares for basic EPS[1]	46,367,533	46,448,052
Issued ordinary shares	**46,367,533**	**46,448,052**
Basic and fully diluted earnings per share	**1.15**	**3.46**

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

9. *Net trading income*

Gross trading income comprises the realized and unrealized income on financial instruments.

Fees related to the trading activities consist of exchange fees, clearing fees and other trading related fees. Net financial expenses related to the trading activities mainly relate to interest expense on the credit facilities with the prime brokers calculated on the drawn amount during the year.

10. *Employee expenses*

	For the year ended	
	2019	**2018**
Wages and salaries	31,677	26,069
Variable compensation	37,703	92,863
Social security charges	3,556	3,048
Recruitment and other employment costs	8,353	6,981
Employee expenses	**81,289**	**128,961**

The wages and salaries increased in line with the FTE growth from 436 as per 31 December 2018 to 513 as per 31 December 2019. Overall employee expenses decreased by 37% due to a lower amount of variable compensation paid to employees compared to the prior year. The amount of variable compensation payable is based on the operational profit of the company.

The Group awarded shares to senior employees as part of their sign-on package during 2019. For this reason the share awards had an opening balance of zero. Included in variable compensation are equity-settled expenses arising from shares awarded to senior employees of €238 thousand (2018: nil). Note that foreign currency exchange differences occur between expenses recognized and movements in equity due to changes in exchange rates. The fair value of the awards was estimated on the date of grant based on a weighted average share price of €24.02. At 31 December 2019, awards issued were outstanding as follows:

	Year of vesting				
	2020	**2021**	**2022**	**2023**	**2024**
Number of shares	5,500	7,500	9,500	11,500	13,500

The vesting of awards is conditional upon the employee being actively employed by the Group on the vesting date. No shares were forfeited during the year.

11. *Other expenses*

	For the year ended	
	2019	**2018**
Technology	39,738	35,371
Housing	2,768	7,199
Advisors and assurance	3,001	1,810
Regulatory costs	1,581	2,031
Fixed exchange costs	3,508	4,624
Travel expenses	3,080	2,309
Various expenses	2,574	1,300
Other expenses	**56,250**	**54,644**

Increase in technology expenses results from improvements and growth to our infrastructure. Decrease in housing is expenses is due to rental expenses classified as depreciation expense in line with IFRS 16, for more information, please refer to notes 6 and 23.

12. *Taxation*

Current tax expenses

	For the year ended 2019	2018
Tax recognized in profit or loss		
Current tax expense	10,707	33,916
Movement of deferred tax asset	1,496	(1,060)
Movement of deferred tax liability	134	346
Prior years' adjustments	(187)	(195)
Tax expense excluding share of tax of equity-accounted investees	**12,150**	**33,007**

Reconciliation of the weighted average statutory income rate to the Group's effective income tax rate is as follows:

RECONCILIATION OF EFFECTIVE TAX RATE

	For the year ended 2019	2018
Profit before tax	65,287	193,940
Dutch income tax rate	25.0%	25%
Income tax expected	16,322	48,485
Actual income tax charge	12,150	33,007
In percentage	18.6%	17.0%
Difference in tax expense	**(6.4%)**	**(8.0%)**

RECONCILIATION OF EFFECTIVE TAX RATE

For the year ended	2019 (€)	2019	2018 (€)	2018
Dutch tax rate	**16,322**	**25%**	**48,485**	**25%**
Different weighted average statutory rate of group	(92)	(0.2%)	(1,715)	(0.9%)
Income (partly) exempted	(4,005)	(6.1%)	(13,564)	(7.0%)
Other (non) deductible costs	(75)	(0.1%)	(199)	(0.1%)
Subtotal	**(4,172)**	**(6.4%)**	**(15,825)**	**(8.0%)**
Effective tax rate	**12,150**	**18.6%**	**33,007**	**17.0%**

No tax was recognized in other comprehensive income in 2019 and 2018.

Current tax assets and liabilities

	At 31 December 2019	2018
Assets		
Europe (the Netherlands)	113	30
Americas (US)	5,025	4,447
Asia (Singapore and Hong Kong)	248	222
Total current tax assets	**5,386**	**4,699**
Liabilities		
Europe (the Netherlands)	686	9,073
Americas (US)	16	265
Asia (Singapore and Hong Kong)	1,313	519
Total current tax liabilities	**2,015**	**9,857**

Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

	At 31 December	
	2019	2018
Assets		
Other liabilities	1,505	3,001
Liabilities		
Property and equipment	1,352	1,218
Net asset/(liability)	**153**	**1,783**

The utilization of the deferred tax asset is dependent upon the US achieving sufficient future taxable profit and subsequently the deductibility of the variable compensation instalments.

Effective tax rate per country

An overview of the effective tax rate per country per segment is presented in the table below.

	For the year ended 2019	
	Statutory tax rate	Effective tax rate
Europe	25.0%	17.9%
of which:		
▪ Netherlands	25.0%	18.0%
▪ United Kingdom	19.0%	19.0%
▪ Romania	16.0%	4.8%
Americas	22.1%	23.5%
of which:		
▪ United States of America	22.1%	23.5%
Asia	16.8%	22.8%
of which:		
▪ Singapore	17.0%	21.4%
▪ Hong Kong	16.5%	25.5%

13. *Cash and cash equivalents*

	At 31 December	
	2019	2018
Europe	1,561	3,618
Americas	478	1,390
Asia	3,648	5,046
Total cash and cash equivalents	**5,687**	**10,054**

Cash and cash equivalents include a bank guarantee of € 285,256 for office rent (2018: € 285,256). The other cash and cash equivalents are available on demand.

14. *Financial assets held for trading*

	At 31 December	
	2019	2018
Cash market products	3,483,650	3,662,516
Derivatives	2,048	14,291
Total financial assets held for trading	**3,485,698**	**3,676,807**

Financial assets held for trading relate to settled positions and are closely related to financial liabilities held for trading, trading receivables and trading payables. The sum of these positions is our net liquidity position at our prime brokers and together with cash used in the management report as trading capital.

15. *Trading receivables*

	At 31 December	
	2019	2018
Receivables for securities sold	3,196,439	3,039,875
Total trading receivables	**3,196,439**	**3,039,875**

In accordance with the Group's policy of trade date accounting for regular way sale and purchase transactions, receivables for securities sold represent amounts of receivables for securities that are sold, but not yet settled as at the reporting date. Trade receivables are valued at fair value. Please also refer to note 14 for a better understanding of these positions and what they consist of.

16. *Other receivables*

	At 31 December	
	2019	**2018**
Prepayments	5,626	4,411
Dividend withholding tax	1,686	2,155
Security deposits	1,827	1,834
Other	5,453	5,526
Total other receivables	**14,592**	**13,926**

For more information, please refer to note 29 for a maturity analysis of other receivables.

17. *Investments fair value through OCI*

	At 31 December	
	2019	**2018**
Net book amount 1 January	1,267	1,475
Acquisitions	449	-
Price movements	(468)	(269)
Currency movements	23	61
Total investments fair value through OCI	**1,271**	**1,267**

The investments of the Group in various exchanges, through participations or “member seats”, are classified as investments fair value through OCI. Member seats provide access to various exchanges. These investments are measured at fair value determined on the last available bid before year end in the foreign currencies which are translated to euros at exchange rates at the reporting date.

Acquisitions in Investments fair value through OCI relates to the Group’s investment in ErisX.

18. *Investments in associates*

	At 31 December	
	2019	**2018**
Net book amount 1 January	357	571
Investments	9	-
Share of result of subsidiary	-	(86)
Cash distribution	(178)	(140)
Currency movements	7	12
Total investments in associates	**203**	**357**

Investments in associates includes the Group’s 10% ownership in Pick Two LLC, a joint venture entity.

The Group holds Joint Back Office Clearing agreements with three prime brokers for a total amount of € 62 thousand in their preferred shares.

Included in result on equity-accounted investees is €1 million income related to the fair value remeasurement of contingent consideration relating to a disposed associate.

19. *Property and equipment*

	Hardware	Office fixtures	Office space right-of-use assets	Hardware right-of-use assets	Total
Cost					
Balance at 1 January 2018	**25,170**	**17,179**	**-**	**-**	**42,349**
Additions	6,922	3,079	-	-	10,001
Disposals	(2,961)	(369)	-	-	(3,330)
Exchange rate differences	510	335	-	-	845
Balance at 31 December 2018	**29,642**	**20,224**	**-**	**-**	**49,866**
IFRS 16 adjustment	(5,596)	-	15,546	5,596	15,546
Balance at 1 January 2019	**24,046**	**20,224**	**15,546**	**5,596**	**65,412**
Additions	10,555	1,630	924	-	13,109
Disposals	(3,891)	(778)	-	-	(4,669)
Exchange rate differences	69	61	272	22	425
Balance at 31 December 2019	**30,779**	**21,137**	**16,742**	**5,619**	**74,277**
Depreciation and impairment losses					
Balance at 1 January 2018	**9,038**	**5,986**	**-**	**-**	**15,024**
Depreciation for the year	4,855	3,786	-	-	8,651
Disposals	(2,630)	(381)	-	-	(3,011)
Exchange rate differences	199	97	-	-	296
Balance at 31 December 2018	**11,462**	**9,498**	**-**	**-**	**20,960**
IFRS 16 adjustment	(1,887)	-	-	1,887	-
Balance at 1 January 2019	9,575	9,498	-	1,887	20,960
Depreciation for the year	4,942	4,077	4,104	1,115	14,238
Disposals	(3,473)	(824)	-	-	(4,297)
Exchange rate differences	35	19	6	14	75
Balance at 31 December 2019	**11,079**	**12,770**	**4,110**	**3,017**	**30,976**
Carrying amounts					
At 1 January 2018	12,404	14,921	-	-	27,325
At 31 December 2018	**18,180**	**10,726**	**-**	**-**	**28,906**
At 31 December 2019	**19,700**	**8,367**	**12,632**	**2,602**	**43,301**

Right-of-use assets are disclosed in more detail in notes 6 and 23 and must be considered along with software right-of-use assets in note 20.

20. *Intangible assets*

	Software	Software right-of- use assets	Goodwill	Total
Cost				
Balance at 1 January 2018	**1,929**	**–**	**502**	**2,431**
Additions	165	–	–	165
Disposals	(223)	–	–	(223)
Exchange rate differences	15	–	–	15
Balance at 31 December 2018	**1,886**	**–**	**502**	**2,388**
IFRS 16 adjustment	(126)	126	–	–
Balance at 1 January 2019	1,760	126	502	2,388
Additions	371	230	–	601
Disposals	(469)	–	–	(469)
Exchange rate differences	2	–	–	2
Balance at 31 December 2019	**1,665**	**356**	**502**	**2,523**
Depreciation and impairment losses				
Balance at 1 January 2018	**925**	**–**	**–**	**925**
Depreciation for the year	386	–	–	386
Disposals	(198)	–	–	(198)
Exchange rate differences	(6)	–	–	(6)
Balance at 31 December 2018	**1,107**	**–**	**–**	**1,107**
IFRS 16 adjustment	(74)	74	–	–
Balance at 1 January 2019	**1,033**	**74**	**–**	**1,107**
Depreciation for the year	354	33	–	387
Disposals	(441)	–	–	(441)
Exchange rate differences	(1)	–	–	(1)
Balance at 31 December 2019	**945**	**107**	**–**	**1,052**
Carrying amounts				
At 31 December 2018	1,004	–	502	1,506
At 31 December 2018	**779**	**–**	**502**	**1,281**
At 31 December 2019	**720**	**249**	**502**	**1,471**

Right-of-use assets are disclosed in more detail in notes 6 and 23 and must be considered along with office space and hardware right-of-use assets in note 19.

Goodwill

In December 2010 the Group obtained control of TradeSense Solutions B.V. and its subsidiary Flow Traders Technologies SRL (formerly TradeSense Solutions SRL), a software development company with special focus on trading in electronic markets. The goodwill amounted to €502 thousand.

There were no additions or impairments to the goodwill in 2019 and 2018.

21. *Financial liabilities held for trading*

	At 31 December	
	2019	**2018**
Short positions in equity securities trading	1,618,864	2,601,500
Derivatives	-	29
Total financial liabilities held for trading	**1,618,864**	**2,601,529**

Please also refer to note 14 for a better understanding of these positions and what they consist of.

22. *Trading payables*

	At 31 December	
	2019	**2018**
Payables for securities bought	3,113,915	2,994,340
Borrowings	1,587,110	706,215
Total trading payables	**4,701,025**	**3,700,555**

Please also refer to note 14 for a better understanding of these positions and what they consist of.

Payables for securities bought

In accordance with the Group's policy of trade date accounting for regular way sale and purchase transactions, payables for securities bought represent amounts payables for securities that were purchased, but not yet settled as at the reporting date. The amount payable is based on the net unsettled amount per clearing institution.

Borrowings

The Group maintains portfolio financing facilities with its prime brokers to facilitate the trading activities (i.e. to finance the purchase and settlement of financial instruments). The drawn amounts on these facilities continuously fluctuate based on our trading positions at any given moment.

The Group entered into interest-bearing credit facilities with ABN AMRO Clearing Bank N.V. (AACB), totaling €2,450 million. In addition, the Group entered into interest-bearing credit facilities for portfolio margin financing with Bank of America Merrill Lynch (BAML), NatWest Markets, Goldman Sachs, Barclays Bank, Mizrahi-Tefahot Bank and Sova Capital. These facilities can be modified or terminated at any time. The facilities are exclusively for the financing of positions of the financial instruments traded in the ordinary course of the trading activities using the various prime brokers.

Our prime brokers require the Group to post cash to cover the haircut or margin requirements (representing a minor portion of our portfolio's size, which is variable and calculated on a daily basis depending on portfolio size and composition) in cash or securities as security for our positions held with the relevant prime broker. The positions are subject to pledge and collateral arrangements.

Covenants

Pursuant to the main covenants included in our facilities the Group is required to comply with a net liquidation balance that exceeds the haircut calculated by the prime broker. Both the net liquidation balance and haircut are variable and calculated on a daily basis, depending on portfolio size and composition. The main covenants prescribe certain maximum portfolio-to-loan size (variable and calculated on a daily basis, depending on portfolio composition).
In addition, they require us to maintain a solvency ratio of at least 4%, calculated by shareholders equity divided by credit limit.

The main covenants also require the Group to supply our prime brokers with financial statements and other information, including information on our trading activities and trading counterparties, and permission to inspect our books and records. Furthermore, they require us to maintain all relevant authorizations and memberships required in order to conduct our business, and comply with all applicable laws, rules and regulations and place restrictions on mergers and disposition of our assets outside the ordinary course of our business.

23. *Leases*

As disclosed in note 6, IFRS 16 has been applied for the first time in these financial statements.

The Group has lease contracts for office space, software and hardware with lease terms between one and five years. The Group also has certain leases with lease terms of 12 months or less, for which the 'short-term lease' recognition exemption is applied.

Set out below are the carrying amounts of the Group's right-of-use assets (included under property and equipment and intangible assets) and lease liabilities and the movements during the period:

	Right-of-use assets	Lease liabilities
As at 1 January 2019	19,306	20,367
Additions	1,154	1,130
Depreciation expense	(5,252)	-
Interest expense	-	450
Payments	-	(6,119)
Exchange rate differences	274	146
As at 31 December 2019	**15,482**	**15,975**

For more information, please refer to notes 19 and 20 for further details of the right-of-use assets.

The Group recognized rent expense from short-term leases of €354 thousand for the year ended 31 December 2019.

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	23,185
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 non-lease components	(6,575)
Add:	
Commitments relating to leases previously classified as finance leases	4,459
Lease liabilities as at 1 January 2019	**20,367**

The maturity analysis of lease liabilities is disclosed in note 30.

24. *Other liabilities*

	At 31 December	
	2019	**2018**
Long-term variable compensation payable	23,240	48,892
Long-term finance lease commitments	-	2,464
Subtotal non-current liabilities	**23,240**	**51,356**
Short-term lease commitments	-	2,085
Wages and variable compensations payables	45,052	54,106
Wages tax payable	2,234	2,041
Creditors and accruals	14,744	16,375
Subtotal current liabilities	**62,030**	**74,607**
Total other liabilities	**85,270**	**125,963**

25. *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	(234,941)	(99,356)
Total	**46,299,559**	**46,435,144**

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 and further set out on page 25 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 2018 and 2019 these shares were used into the Flow Loyalty Incentive Plan whereby all employees receive 100 shares in the company at their two years working anniversary. Part of these shares are held by the Company as treasury shares.

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

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.

Fair value reserve

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

General distributions

Pursuant to Article 24.1 of the company's Articles of Association, the Management Board, with the approval of the Supervisory Board, has decided that of the profit for 2019 (totaling € 53.1 million), an amount of € 11.2 million shall be added to the reserves. The remaining amount of € 41.9 million is at the disposal of the General Meeting of Shareholders (General Meeting).

Dividends

It is proposed to the General Meeting that a total cash dividend of € 0.90 per share will be paid out to shareholders for the financial year 2019, subject to a 15% dividend withholding tax.
An interim cash dividend of €0.35 per share was paid out on 15 August 2019. This means that the final cash dividend proposal to the General Meeting of 24 April 2020 is € 0.55 per share.

26. *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 on page 71 of the Remuneration Report, our employees have the possibility to participate in an employee incentive 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. Payments will be made in the first, second, third, fourth and fifth year of the plan. Based on IAS 19, costs related to the cash incentive may not be recognized until the employee fulfills the service obligation. Therefore these costs will be recognized in the future years in the profit and loss.

ON– AND OFF– BALANCE SHEET LIABILITY AMOUNTS

	2020	2021	2022	2023	2024
Cash incentive plan 2017	546	546	546	546	-
Cash incentive plan 2018	1,650	1,650	1,650	1,650	-
Cash incentive plan 2019	824	824	824	824	824

27. *Related parties*

General

The members of the Group's Supervisory Board and the Management Board are considered the persons responsible for managing and controlling the Group.

Key management employee and Supervisory Board compensation

Key management employee compensation comprised the Management Board compensation over 2019 and 2018. All compensation is considered short-term.

	2019		2018	
	Fixed	Variable	Fixed	Variable
Compensation				
Management Board	324	1,800	410	11,909
Supervisory Board	325	-	325	-

28. *Group companies*

SUBSIDIARIES

	Country of incorporation	Ownership interest 2019	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 Group 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. Please refer to the Capital Management section of this report for more information.

29. *Financial risk management*

Overview

The Group is exposed to the following risks arising from financial instruments:

- credit risk;
- market risk;
- liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and can also arise from the settlement of off-exchange transactions.

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. These amounts significantly exceed expected loss in the event of counterparty default, as expected loss takes into account the likelihood of such an event and collateral or security. The likelihood of counterparty default is deemed to be remote due to the creditworthiness of the counterparties and the central counterparties. The maximum exposure to credit risk at the reporting date was as follows:

CARRYING AMOUNT

	2019	2018
Cash and cash equivalents	5,687	10,054
Trading receivables	3,196,439	3,039,875
Other receivables	14,592	13,927

Credit risk related to transactions on exchanges is limited since these are guaranteed by the central counterparty or clearing house related to that exchange. Members of these clearing houses are required to deposit substantial amounts of cash, bonds or equities as collateral for any failure to settlement of trading. While still a limited part of our business, there is an inherent risk related to transactions on cryptocurrency exchanges as they are generally unregulated. This risk is mitigated by strict onboarding procedures and limiting the value traded on exchange to minimize the maximum risk.

The Group manages credit risk through its Risk and Mid-Office department that provide specific guidelines, rules and procedures for identifying, measuring and reporting credit risk. Policies include amongst others:

- limits for individual product types;
- limits per counterparty;
- limits on the duration of the exposure;
- limits for settlement types;
- strict monitoring procedures for late settlements.

Creditworthiness of counterparties is continuously assessed and counterparty exposures are monitored on an intra-day basis.

During 2019, the Group observed no significant concentration of credit risks towards single counterparties and geographically there was no concentration of credit risk.

Based on the Group's counterparty credit risk monitoring, the Group believes that no impairment is necessary in respect of trading and other receivables.

Offsetting financial assets and financial liabilities

The disclosures set out in this paragraph include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements, securities borrowing and securities lending agreements. Financial instruments, such as loans and deposits, are not disclosed in this paragraph unless they are offset in the statement of financial position.

The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right to offset recognized amounts for the parties to the agreement that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. In addition, the Group and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The Group has outsourced collateral management to its prime brokers. It can receive and grant collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives;
- sale and repurchase, and reverse sale and repurchase agreements; and
- securities lending and borrowing.

The Group receives and grants collateral in the form of cash and marketable securities as set out in Notes 15 and 22 in respect of derivatives (including swaps). Such collateral is subject to standard industry terms including, where appropriate, an ISDA Credit Support Annex. This means that securities received/granted as collateral can be pledged or sold during the term of the transaction, but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The following tables reconcile the 'Gross amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

At 31 December 2019

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position – Financial instrument	Net liquidation value at prime broker
Types of financial assets					
Long positions, cash market products and amounts receivable from clearing agent	6,682,137	-	6,682,137	(6,319,889)	362,248
Types of financial liabilities					
Short positions, cash market products amounts payable to clearing agents, and borrowings	(6,319,889)	-	(6,319,889)	(6,319,889)	-

At 31 December 2018

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position – Financial instrument	Net liquidation value at prime broker
Types of financial assets					
Long positions, cash market products and amounts receivable from clearing agent	6,716,682	-	6,716,682	(6,302,084)	414,598
Types of financial liabilities					
Short positions, cash market products amounts payable to clearing agents, and borrowings	(6,302,084)	-	(6,302,084)	(6,302,084)	-

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position at fair value.

Market risk

The market risk for the Group relates to the risk of the value of a financial instrument fluctuating because of changes in factors including, but not limited to, interest rates, volatilities, currency rates, future dividend expectations and equity prices. The Risk and Mid-Office department monitors market risk exposure on a continuous basis (including intra-day). Based on the limits set per product or the aggregated risk for the Group, limit breaches, if any, will trigger action from the Risk and Mid-Office department in order to reduce the risk.

In addition to the Group's Risk and Mid-Office department, the trading positions are also monitored daily. The applicable haircut and margins are computed by the Group's prime brokers. The Risk and Mid-Office department computes the haircut using internal models enabling intra-day monitoring. Limits are set on both capital- and credit usage.

Long and short trading positions include securities and derivatives such as: shares, American depositary receipts (ADRs), options, warrants, futures, forward rate agreements (FRAs), exchange-traded products (ETP) and cryptocurrencies. All traded financial instruments are liquid instruments. Therefore, the portfolio can always be liquidated within a short time frame and with limited costs.

The Group seeks to hedge its trading positions to minimize the risk for market movements and does not engage in long and/or short only positions. The direction of market movements, i.e. what the Group considers directional market risk, is not relevant for the Group because of this long/short trading strategy. Because of the manner in which the Group hedges foreign currency, interest rate risk and other price risk, the directional market risk is close to zero. Therefore, no sensitivity analysis has been disclosed.
The overall market risk (including interest rate risk, credit risk, foreign currency risk and settlement risk) of the financial assets and liabilities held for trading are captured in the risk and margin requirements which the Group is required to post at its prime brokers and clearing firms. The consolidated margin and haircut requirements over 2019 is shown in the Capital management paragraph. Although the positions are fully hedged, a minimum risk close to zero remains as a result of inefficiencies in the models of the prime brokers.

Foreign currency risk

The Group is exposed to currency risk arising from trading positions denominated in a currency other than the respective functional currencies of Group entities, primarily the euro, but also United States dollars and Singapore dollars.

Foreign currency risk also arises on net investments in foreign operations, as well as net results of these foreign operations during the year.

The Group manages foreign currency risk through daily monitoring of the positions by currency. Generally, the Group seeks to hedge foreign currency exposures in currencies other than the functional currency.

The Group does use financial instruments to hedge the translation risk related to net investments in foreign operations or net results of foreign operations.

Interest rate risk

Interest rates will affect future profitability of the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of arranged interest rates of assets and liabilities. The Group has limits in place on interest rate gaps for stipulated periods. These limits ensure that interest rate risks are hedged. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

All financial instruments are held for trading purposes and are accounted for at fair value on the balance sheet. All positions carried on the balance sheet are short term and listed on exchanges and therefore liquid and tradable.

As mentioned in the paragraph trading payables, the Group has a credit facility available to facilitate the trading positions accounted for on the balance sheet. In order to match the liquidity and short holding period of these trading positions, the facility has an interest rate payable, which is floating. The Group runs a limited risk on the floating interest due to the fact that the interest is also embedded in the funding and financing of the long/short positions and in the EFP of the future.

Other price risk

Equity price risk and commodity price risk arises from trading positions as well as the Group's investments in investments fair value through OCI securities. In addition, for its option positions, the implied volatility of the underlying contract is an additional risk factor. Other factors to consider are time and dividend expectations.

The Group manages other price risks by defined limits in terms of individual positions per product and aggregate position per trading desk relating to the size of the exposure, concentrations, pricing and valuation parameters and natural hedging between these long and short positions.

As the Group is active in liquidity provision and does not speculate on directional moves in underlying values, the net delta positions of the portfolios should be close to zero.
In addition to daily internal monitoring measures, applicable haircut and margins are computed by the Group's prime brokers. The haircut analysis measures all positions, individual and correlated, and reflects the different risk components. The third party haircut calculation confirms the internal assessment that completes the Group's overview of the risks that it is exposed to on a daily and overnight basis. An overview of the overall market risk is presented under Market risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's cash position, as well as the other available credit lines with prime brokers, is monitored on a daily basis.

Maturity based on contractual undiscounted cash flows is as follows:

			At 31 December 2019
	Carrying amount	Contractual cash flow	3 months or less
Payable for securities bought	3,113,915	3,113,915	3,113,915
Borrowings	1,587,110	1,587,110	1,587,110
Total trading payables	**4,701,025**	**4,701,025**	**4,701,025**

			At 31 December 2018
	Carrying amount	Contractual cash flow	3 months or less
Payable for securities bought	2,994,340	2,994,340	2,994,340
Borrowings	706,215	706,215	706,215
Total trading payables	**3,700,555**	**3,700,555**	**3,700,555**

Maturity analysis of financial assets and liabilities

The following table shows an analysis of the assets and liabilities according to when they are expected to be recovered or settled.

At 31 December 2019

	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
Cash and cash equivalents	5,687	5,687	–	–	–
Financial assets held for trading	3,483,650	3,483,650	–	–	–
Trading receivables	3,196,439	3,196,439	–	–	–
Other receivables	14,592	–	11,079	1,686	1,827
Investments fair value through OCI	1,271	–	–	–	1,271
Investments in associates	202	–	–	–	202
Current tax assets	5,386	–	–	5,386	–
Deferred tax assets	1,505	–	–	–	1,505
Non-derivative financial assets	**6,706,684**	**6,683,728**	**11,079**	**7,072**	**4,805**
Financial liabilities held for trading	1,618,864	1,618,864	–	–	–
Trading payables	4,701,025	4,701,025	–	–	–
Variable compensation payables	68,292	–	45,052	–	23,240
Lease liabilities	15,975	–	1,486	4,470	10,019
Other payables	16,978	–	16,978	–	–
Current tax liabilities	2,015	–	–	2,015	–
Deferred tax liabilities	1,352	–	–	–	1,352
Non-derivative financial liabilities	**6,708,732**	**6,685,776**	**63,516**	**6,485**	**34,611**
Derivative assets	2,048	–	2,048	–	–
Derivative assets	**2,048**	**–**	**2,048**	**–**	**–**

	Total	Receivable/payable on demand	Within 3 months	3 months to 1 year	>1 year
					At 31 December 2018
Cash and cash equivalents	10,054	10,054	-	-	-
Financial assets held for trading	3,662,516	3,662,516	-	-	-
Trading receivables	3,025,584	3,025,084	-	-	-
Other receivables	13,927	-	9,938	2,155	1,834
Investments fair value through OCI	1,267	-	-	-	1,267
Investments in associates	357	-	-	-	357
Current tax assets	4,699	-	-	4,699	-
Deferred tax assets	3,001	-	-	-	3,001
Non-derivative financial assets	**6,721,405**	**6,698,154**	**9,938**	**6,854**	**6,459**
Financial liabilities held for trading	2,601,500	2,601,500	-	-	-
Trading payables	3,700,555	3,700,555	-	-	-
Variable compensation payable	102,998	-	54,106		48,892
Long-term loans/Lease commitments	4,459	-	506	1,579	2,464
Other payables	18,416	-	18,416	-	-
Current tax liabilities	9,857	-	-	9,857	-
Deferred tax liabilities	1,218	-	-	-	1,218
Non-derivative financial liabilities	**6,439,093**	**6,302,055**	**73,028**	**11,436**	**52,574**
Derivative assets	14,291	-	14,291	-	-
Derivative assets	**14,291**	**-**	**14,291**	**-**	**-**
Derivative liabilities	29	-	29	-	-
Derivative liabilities	**29**	**-**	**29**	**-**	**-**

Liquidity and capital resources

Besides equity, the principal source of funds has been liquidity provided by the prime brokers through uncommitted credit lines and margin financing, as well as cash generated from our operating activities. As of 31 December 2019, the Group held €5.7 million in cash and cash equivalents compared to €10.1 million as of 31 December 2018. These balances are maintained primarily to support operating activities, including ensuring that the Group has sufficient short-term access to liquidity, and capital expenditures.

The Group maintains a highly liquid balance sheet, with a large portion of its total assets consisting of cash, highly liquid marketable securities and short-term trading receivables (arising from securities transactions).

The Group actively manages its liquidity on an intra-day basis and maintains significant portfolio financing facilities with the prime brokers in order to facilitate trading. These facilities are secured by cash and cash equivalents, as well as all financial assets in accounts held at the respective prime brokers. The Group has no outstanding borrowings other than the portfolio financing facilities with prime brokers.

Capital management

The Management Board's policy is to maintain a strong capital base well above the required margins in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Management Board monitors the return on its capital as well as the level of dividends to its shareholders.

30. *Subsequent events*

No material subsequent events have occurred since 31 December 2019 that require recognition or disclosure in this year's financial statements.

PARENT COMPANY BALANCE SHEET (AFTER RESULT APPROPRIATION)

In thousands of euro

	Note	For the year ended 31 December 2019	31 December 2018
Assets			
Participating interest in group companies	30	338,790	360,151
Other receivables		3,260	3,811
Current tax assets		83	-
Cash		8	11
Total assets		**342,141**	**363,973**
Liabilities			
Liabilities to related parties		1,127	-
Current tax liabilities	31	-	8,856
Other liabilities	32	9,963	14,068
Total liabilities		**11,090**	**22,922**
Equity			
Share capital	33	4,653	4,653
Share premium	33	154,570	154,509
Retained earnings	33	156,548	167,734
Currency translation reserve	33	16,234	14,663
Fair value reserve	33	(954)	(508)
Total equity		**331,051**	**341,051**
Total equity and liabilities		**342,141**	**363,973**

PARENT COMPANY INCOME STATEMENT

	Note	For the year ended 31 December 2019	31 December 2018
Employee expenses	34	2,523	12,769
Other expenses	35	490	513
Operational expenses		**3,013**	**13,282**
Operating result		**(3,013)**	**(13,282)**
Share in result from participating interests, after tax	30	54,514	168,468
Result/(impairment) of equity-accounted investments	36	1,062	3,486
Profit before tax		**52,563**	**158,672**
Tax expense		574	2,261
Net result		**53,137**	**160,933**

Notes to the parent company financial statements

All amounts in thousands of euros, unless stated otherwise.

Principles for the measurement of assets and liabilities and the determination of the result

In setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its parent Company financial statements, the Group applies the option provided in section 2:362 (8) of the Netherlands Civil Code. The principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the parent company financial statements are the same as those applied for the consolidated IFRS-EU financial statements. Participating interests over which the Company has significant influence, are measured at equity value. Please see notes to consolidated statements chapter 1 to 4 for a description of the Group's IFRS-EU principles.

The profit from participating interests consists of the Group's share in the results of these participating interests. Results on transactions, comparing the transfer of assets and liabilities between (i) the Group and its participating interests on (ii) between participating interests themselves, are not recognized.

31. *Participating interest in Group companies*

	At 31 December	
	2019	**2018**
Participating interest in group companies and associates	338,790	360,151
Total participating interest in Group companies	**338,790**	**360,151**

The movements of the participating interest in Group companies can be shown as follows:

	2019	**2018**
Balance at 1 January	360,151	322,853
Changes:		
▪ exchange rate differences	1,571	4,052
▪ fair value reserve	(446)	(222)
▪ share in result of participating interests	54,514	168,468
▪ dividends declared	(77,000)	(135,000)
Balance at 31 December	**338,790**	**360,151**

32. *Current tax liabilities*

	At 31 December	
	2019	**2018**
Corporate income tax	–	8,856
Total current tax liabilities	**–**	**8,856**

33. *Other liabilities*

	At 31 December	
	2019	**2018**
Long-term variable compensation payable	4,770	7,889
Subtotal non current liabilities	**4,770**	**7,889**
Wages and variable compensations payables	4,936	5,911
Wages tax payable	19	27
Other current liabilities	238	238
Subtotal current liabilities	**5,193**	**6,179**
Total other liabilities	**9,963**	**14,066**

34. *Equity*

STATEMENT OF CHANGES IN EQUITY *in thousands of euro* **2019**

	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	–	–	–	–	53,137	53,137
Total other comprehensive income	–	–	1,571	(446)	–	1,125
Reclassification currency translation reserve						
Total comprehensive income for the period	**–**	**–**	**1,571**	**(446)**	**53,137**	**54,262**
Transactions with owners of the Company						
Share premium	–	61	–	–	–	61
Dividends declared	–	–	–	–	(62,633)	(62,633)
Treasury shares	–	–	–	–	(1,914)	(1,914)
Share based payments	–	–	–	–	224	224
Total transactions with owners of the company	**–**	**61**	**–**	**–**	**(64,323)**	**(64,262)**
Balance at 31 December 2019	**4,653**	**154,570**	**16,234**	**(954)**	**156,548**	**331,051**

STATEMENT OF CHANGES IN EQUITY *in thousands of euro* **2018**

	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					160,933	160,933
Total other comprehensive income	-	-	4,052	(222)	-	3,830
Reclassification currency translation reserve	-	-	-	-	-	-
Total comprehensive income for the period	**–**	**–**	**4,052**	**(222)**	**160,933**	**164,763**
Transactions with owners of the Company						
Share premium	-	2,053	-	-	-	2,053
Dividends declared	-	-	-	-	(78,969)	(78,969)
Treasury shares	-	-	-	-	(897)	(897)
Total transactions with owners of the company		**2,053**	**–**	**–**	**(79,866)**	**(77,813)**
Balance at 31 December 2018	**4,653**	**154,509**	**14,663**	**(508)**	**167,734**	**341,051**

Treasury shares consist of 234.941 (2018: 99.356) shares with a nominal value of 10 cents per share. Treasury shares include shares purchased by the Company from employees who leave the Group; for more information please refer to page 29.

35. *Employee expenses*

	At 31 December	
	2019	**2018**
Wages and salaries	671	753
Variable compensations	1,816	11,972
Social security charges	33	34
Recruitment and other employment costs	3	10
Employee expenses	**2,523**	**12,769**

36. *Other expenses*

	At 31 December	
	2019	**2018**
Advisors and assurance	111	172
Regulatory costs	97	91
Shareholder meeting costs	122	117
Various expenses	160	133
Other expenses	**490**	**513**

37. *Result of equity-accounted investments*

For more information, refer to note 18 Investments in associates in the consolidated financial statements.

38. *Off-balance sheet commitments*

The Company has no off-balance sheet commitments.

39. *Claims*

The Company is not involved in any significant legal procedures and/or claims.

There are no other contingent liabilities.

40. *Related parties*

For more information, refer to note 27 Related parties in the consolidated financial statements.

41. *Profit appropriation*

For more information, refer to note 8 Earnings per share and note 25 Equity in the consolidated financial statements.

42. *Subsequent events*

No material subsequent events have occurred since 31 December 2019 that require recognition or disclosure in this year's financial statements.

43. *Auditor fees*

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by Ernst & Young Accountants LLP and its member firms and affiliates to the Group, its subsidiaries and other consolidated entities, which did not include tax advice:

FEES OF THE AUDITOR *in thousands of euro*

	Ernst & Young Accountants LLP	Other EY member firms and affiliates	Total EY
			2019
Statutory audit of annual accounts	250	75	325
Other assurance services	26	6	32
Tax advise	-	-	
Other non-audit services	-	-	
Total auditor fees 2019	**276**	**81**	**356**

The 2018 audit fees were charged by Ernst and Young Accountants LLP and it member firms and affiliates to the Group.

FEES OF THE AUDITOR *in thousands of euro*

	Ernst & Young Accountants LLP	Other EY member firms and affiliates	Total EY
			2018
Statutory audit of annual accounts	239	78	317
Other assurance services	20	6	26
Tax advise	-	-	-
Other non-audit services	-	-	-
Total auditor fees 2018	**259**	**84**	**343**

Amsterdam, 27 February 2020

The Management Board:

Dennis Dijkstra Folkert Joling Thomas Wolff

The Supervisory Board:

E.D. Drok J.T.A.G. van Kuijk O.J. Bisserier R. Ferscha R.H.C. Hodenius J.K.J. Sikkens

Other information

Provisions in the Articles of Association governing the appropriation of profit

The provisions in the articles of association governing the appropriation of profit read as follows:

1. The Management Board may decide, with the approval of the Supervisory Board, that the profits realized during a financial year will fully or partially be appropriated to increase and/or from reserves. The profits remaining after application to or from reserves shall be put at the disposal of the general meeting at the proposal of the Management Board, with the approval of the Supervisory Board. A proposal to pay dividends shall be dealt with as a separate agenda item at the general meeting. Distributions from the company's distributable reserves are made pursuant to a resolution of the general meeting at the proposal of the Management Board, with the approval of the Supervisory Board. Provided it appears from an interim statement of assets signed by the Management Board that the requirements concerning the position of the company's assets has been fulfilled, the Management Board may, with the approval of the Supervisory Board, make one or more interim distributions to the holders of shares. The Management Board may decide, with the approval of the Supervisory Board, that a distribution on shares shall not take place as a cash payment but as a payment in shares, or decide that holders of shares shall have the option to receive a distribution as a cash payment and/or as a payment in shares, out of the profit and/or at the expense of reserves, provided that the Management Board is designated by the general meeting. With the approval of the Supervisory Board, the Management Board shall determine the conditions applicable to the aforementioned choices.
2. The company's policy on reserves and dividends shall be determined and can be amended by the Management Board, with the approval of the Supervisory Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the general meeting under a separate agenda item.
3. Distributions can only be made up to the amount of the distributable part of the shareholders' equity.
4. Dividends and other distributions will be made payable pursuant to a resolution of the Management Board within four weeks after adoption, unless the Management Board sets another date for payment.
5. The claim of a shareholder to receive any distributions shall lapse within five years after they have become due for payment.
6. For all dividends and other distributions in respect of shares included in the Statutory Giro System the company will be discharged from all obligations towards the relevant shareholders by placing those dividends or other distributions at the disposal of, or in accordance with the regulation of, Euroclear Netherlands.
7. In calculating the amount of any distribution on shares, shares held by the Company shall be disregarded.

Other branches

The Group has the following branches:

	Country	Trading Name
London	United Kingdom	Flow Traders B.V. (London Branch)

Independent auditor's report

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

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Flow Traders N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the parent company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Flow Traders N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying parent company financial statements give a true and fair view of the financial position of Flow Traders N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The parent company financial statements comprise:

- The parent company balance sheet as at 31 December 2019
- The parent company income statement for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Flow Traders N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Our audit approach

Our understanding of the business

Flow Traders N.V. is a global financial technology-enabled liquidity provider in financial products such as Exchange Traded Products. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the nature of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality	
Materiality	€ 3,3 million (2018: € 5 million)
Benchmark applied	5% of pre-tax income (rounded)
Explanation	We applied pre-tax income as this benchmark is an important metric for the users of the financial statements of Flow Traders N.V.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 163 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and Risk and Middle Office) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption.

In our risk assessment we considered the potential impact of management override of controls within the pricing.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in Note 3 to the financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, inspection of internal audit and compliance (incidents) reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit

Flow Traders N.V. Amsterdam is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Flow Traders N.V.

As we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities, being Flow Traders B.V. and Flow Traders U.S. LLC based on the relative financial size of these components.

We have:

- Performed audit procedures ourselves for the component entity Flow Traders B.V.
- Used the work of other non-EY auditors for auditing the component entity Flow Traders U.S. LLC
- Performed specific audit procedures at other component entities

By performing the procedures mentioned above at component level, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming, use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a listed client in the liquidity providing industry. We included specialists in the areas of IT audit, tax positions and -expense and cryptocurrencies and have made use of our own experts in the areas of valuations of trading positions and actuaries.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following the increasing activity of Flow Traders N.V. in cryptocurrencies, a new key audit matter "Digital assets transactions and balances" has been defined.

Risk	Our audit approach	Key observations
Fair value measurement of financial assets and liabilities held for trading (note 7 of the financial statements)		
Flow Traders' fair value measurement of financial assets and liabilities held for trading is based on internally determined theoretical prices, which are also used for quoting purposes. As such, valuation can be different than closing prices at various stock exchanges or different than prices from clearers, for example due to market illiquidity, variety in opening hours of the stock exchanges and the use of hedging instruments. The fair values recorded could include estimates which are subjective by nature. Therefore, we identified the valuation of financial assets and liabilities held for trading as a significant risk within our audit.	We obtained an understanding of the valuation process, including verifications done by the risk and middle office department. We performed sample testing on the valuation of individual positions by comparing the internally developed prices to external sources. Furthermore, we inspected the financial statements for compliance and consistency with IFRS 7 and IFRS 13 on disclosure requirements for financial assets and liabilities held for trading, including the fair value hierarchy.	The method of fair value measurement and the underlying input for valuation of the financial assets and liabilities held for trading is reasonable as well as the fair value hierarchy and the disclosure.

Risk	Our audit approach	Key observations
Digital assets transactions and balances ("Our profile", "Enterprise Risk Management" in Management board report and note 29 of the financial statements)		
Flow Traders trades in cryptographically secured digital assets ('cryptocurrencies'). The cryptocurrencies positions are recorded as part of financial assets held for trading and results recorded as part of trading income. Cryptocurrencies are exchangeable directly between two parties through decentralized ('blockchain') networks that record anonymous transaction data. Alternatively direct trades are executed between members of non-regulated crypto-currency exchanges. Ownership of cryptocurrencies is determined by whoever has access to the private key required to transact cryptocurrencies between wallets. Therefore, we recognize a risk in the existence of the crypto-currency positions. In addition, a risk of incorrect valuation of cryptocurrencies exists given the high volatility and large number of different exchanges.	We performed procedures to evaluate the design and implementation of procedures related to cryptocurrencies by Flow Traders, including reviews performed by the risk and middle office and the compliance departments in onboarding exchanges as well as trading in new cryptocurrencies. Furthermore, we evaluated the design and implementation of the daily trades reconciliation controls and procedures for deposits and withdrawals with crypto-currency exchanges. Last, by observing the positions at each of the exchanges at year end and subsequently testing on the valuation of individual positions by comparing the internally developed prices to external sources, we independently tested the valuation and existence of the cryptocurrencies position of Flow Traders at 31 December 2019.	Based on the procedures performed, we did not identify any material audit findings in relation to the existence or carrying values of the crypto currency assets.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Management board report as required by Part 9 of Book 2 of the Dutch Civil Code, comprising:
  - Introduction
  - Value creation and strategy
  - Our performance
  - Our governance
- Report of the supervisory board
- Remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code, comprising:
  - Provisions in the Articles of Association governing the appropriation of profit

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 and Section 2:135b of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management board report (comprising of Introduction, Value creation and strategy, Our performance and Our governance) in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Flow Traders N.V. on 19 May 2016, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor’s report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

The Hague, 27 February 2020

Ernst & Young Accountants LLP
Signed by: T. de Kuijper

Glossary

AGM	Annual General Meeting of shareholders
AML	Anti-Money Laundering
AMX	Amsterdam Midcap Index
AP	Authorized Participant
APT	Dutch Association of Proprietary Traders
AuM	Asset Under Management
AuM CAGR	Asset Under Management Compound Annual Growth Rate
CEO	Chief Executive Officer
CID procedure	Counterparty Identification Procedures
CRD IV	EU Capital Requirements Directive (2013/36/EU)
CRR	EU Capital Requirements Regulation (575/2013)
CSDR	Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositories
CTO	Chief Technology Officer
CTrO	Chief Trading Officer
DNB	Dutch Central Bank
ERM	Enterprise Risk Management
ETC	Exchange-Traded Commodities
ETF	Exchange-Traded Funds
ETN	Exchange-Traded Notes
ETP	Exchange traded product
EY	Ernst & Young Accountants LLP, the company's external auditor
General Meeting	Annual General Meeting of Shareholders
FCIP	Flow Cash Incentive Plan
FIA EPTA	FIA European Principal Traders Association
FIA PTG	FIA Principal Traders Group
FICC	Fixed income, currency and commodities
FLIP	Flow Loyalty Incentive Plan
FSI Schemes	Fast Semi-Iterative schemes
FWD	Forward
FX	Forex (Currency trading)
IA	internal audit function
IFD	Directive (EU) 2019/2034 on the prudential supervision of investment firms
IFR	Regulation (EU) 2019/2033 on the prudential requirements of investment firms
IR	Investor Relations
KPI	Key Performance Index
MiFID II	Markets in Financial Instruments Directive (Directive 2014/65/EU; as amended)
NDF	Non-Deliverable Forward
NTI	Net Trading Income
NTI CAGR	Net Trading Income Compound Annual Growth Rate
OECD	Organization for Economic Cooperation and Development
OTC	Over the counter
RMF	Risk Management Framework
RSA	risk (self-) assessments
SDG	Sustainable Development Goals
UN	United Nations

Colophon

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Concept & realisation
Domani B.V.
The Hague

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.

FLOW TRADERS

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