Annual Report 2018

Table of contents

2 Flow Traders at a Glance
5 Profile
6 Message of the Management Board
8 Share Information
11 Our Management Board
13 Our Business
22 Our People
27 Flow Traders and Society
35 Our Risk Management
48 Our Supervisory Board
49 Message of the Supervisory Board
51 Supervisory Board Report
57 Interview Arnout Tilgenkamp
59 Remuneration
67 Our Governance
78 Financial Statements
79 Consolidated Financial Statements
111 Company Financial Statements
116 Other Information

Flow Traders at a Glance

2018 BY NUMBERS

Market ETP Value Traded (€bn)
25,412
37.2%
2017: 18,519

EBITDA (€m)
199.8
257%
2017: 56.0

Net Profit (€m)
160.9
306%
2017: 39.6

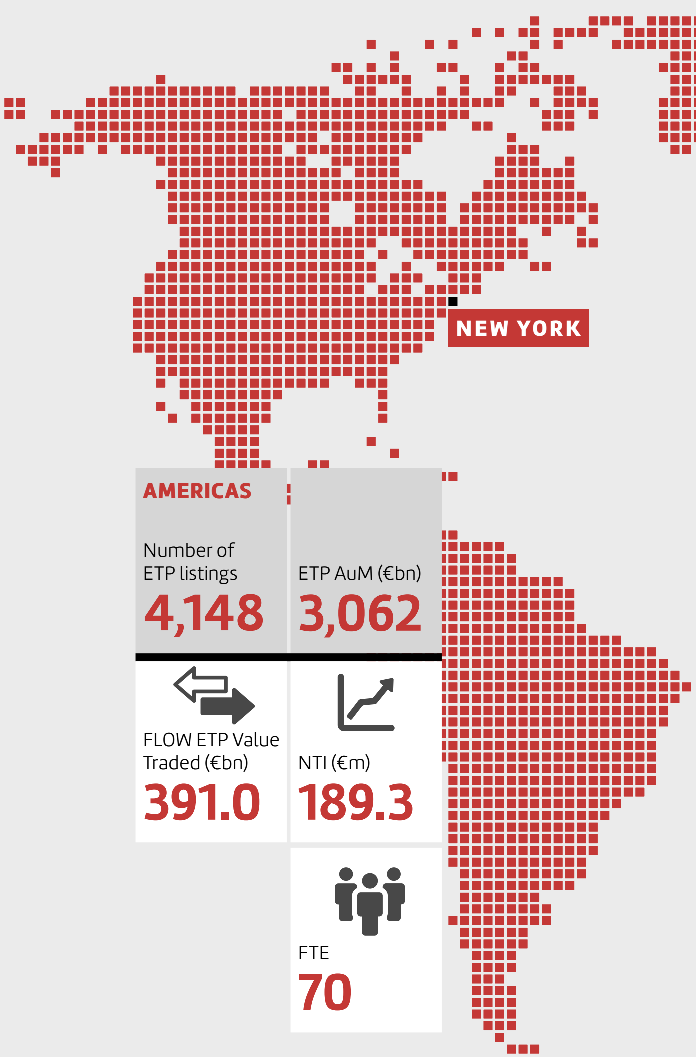
Flow Traders ETP Value Traded (€bn)
899
31%
2017: 686

Flow Traders Total Value Traded (€bn)
3,581
62%
2017: 2,213

Net Trading Income (NTI) (€m)
383.4
131%
2017: 165.9

Earnings per share (€)
3.46
307%
2017: €0.85

Flow Traders at a Glance



AMERICAS

Number of ETP listings	ETP AuM (€bn)	FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
4,148	3,062	391.0	189.3	70

EUROPE

Number of ETP listings	ETP AuM (€bn)	FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
5,539	682	473.9	153.8	301

ASIA

Number of ETP listings	ETP AuM (€bn)	FLOW ETP Value Traded (€bn)	NTI (€m)	FTE
1,821	448	34.5	40.4	65

Flow Traders at a Glance

2018 FINANCIAL OVERVIEW

In thousands of euro

	For the year ended 2018	2017
Net Trading Income	**383,441**	**165,953**
Personnel expenses (fixed)	36,097	32,205
Personnel expenses (variable)	92,864	25,188
Technology expenses	35,371	37,288
Other expenses	19,273	15,229
Operating expenses	**183,605**	**109,910**
EBITDA	**199,836**	**56,043**
Depreciation of property and equipment	8,651	6,807
Amortization of intangible assets	386	368
Impairment of (in)tangible assets	295	540
Operating result	**190,504**	**48,328**
Result/(impairment) of equity-accounted investees	3,436	107
Profit before tax	**193,940**	**48,435**
Tax expense	33,007	8,840
Profit for the period	**160,933**	**39,595**
Net trading capital	424,652	271,834
Regulatory capital available[1]	278,345	254,101
Regulatory capital required[1]	168,580	126,899
Excess capital	109,765	144,935
KPI		
EBITDA margin	52.1%	33.8%
Basic and fully diluted earnings per share	3.46	0.85

[1] *As per 31 March 2018, the Capital Requirements Regulation applies to Flow Traders.*

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. 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. Founded in 2004, we continue to cultivate the entrepreneurial, innovative and team-oriented culture that has been with us since the beginning.

What we do

As a technology company operating in the financial ecosystem we use our proprietary technology platform to quote bid and ask prices in thousands of financial products. We also provide liquidity to institutional counterparties off-exchange across all regions: the Americas, APAC and EMEA. Market participants benefit from higher execution quality and lower overall trading costs, while the markets benefit from greater efficiency and more transparency.

As a principal trading firm, we focus on providing liquidity in financial products both on- and off-exchange across the globe on an ever increasing number of venues and to a constantly growing number of institutional counterparties.

Our strategies are designed to use information that is publicly available. We are a strong supporter of fair, transparent and orderly markets. We derive our Net Trading Income (NTI) from the small price differences at which investors are willing to trade financial instruments we provide liquidity in and those of the underlying or related financial instruments at which we hedge the resulting exposures. We generally do not have a directional opinion on the markets and aim to be hedged perfectly and instantaneously. This focus on risk management is at the heart of our organization.

Message of the Management Board

Dennis Dijkstra, Thomas Wolff, Folkert Joling, Marcel Jongmans* and Sjoerd Rietberg

'Technology and trading are inseparable from the company's success to date, and its future success'

Flow Traders enjoyed a record year in 2018, as our investments in the company's underlying infrastructure, products, people and markets began to yield strong results. On the regulatory front, we saw the introduction of MiFID II and successfully complied with the CRR capital regulation. In London, our newly-opened branch office strengthens our UK strategy and brings us closer to our counterparties.

At the same time, we continued to grow our global OTC trading and began providing liquidity in Hong Kong-listed ETFs and futures, after receiving our local license at the beginning of the year. We also expanded the Management Board, appointing Thomas Wolff as Chief Technology Officer and Folkert Joling as Chief Trading Officer. These appointments highlight that technology and trading are inseparable from the company's success to date, and its future success. Marcel Jongmans has resigned as Chief Financial Officer, effective 8 December 2018.

Market developments

The market fluctuated during 2018. In the first quarter, trading volumes increased significantly as a series of geo-political issues heightened market sensitivity. The rest of the year was characterized by more subdued market dynamics, although market value traded continued to remain positive. Towards year-end, more elevated levels of market activity were noticeable.

* *Marcel Jongmans has resigned as Chief Financial Officer, effective at 8 December 2018.*

'We believe our results in 2018 underpin the strength of the growth strategy we have been executing'

Organic growth strategy

We believe our results in 2018 underpin the strength of the growth strategy we have been executing. As well as expanding into new regions, this has involved diversifying our market making activities into other areas. During the year, for example, we began providing liquidity in FX as a separate asset class. We also began trading cryptocurrencies, a market that has grown rapidly, across a range of platforms. We continued to implement improvements to our infrastructure, ensuring both our hardware and software can support our growing coverage. We also worked on preserving our unique culture, which is a vital part of the company's ongoing success. At the same time, we expanded the range of courses available within Flow Academy, our employee education programme, which helped our people progress even further. Without their drive and determination, we would be unable to realize what we have achieved. On the regulatory front, we successfully adjusted to MiFID II, which we believe helps increase financial stability and transparency.

Using data effectively

As we continue to expand into new markets, our technology solutions have to become ever-more robust to guarantee that we trade securely and efficiently. One emergent aspect of this is machine learning, which allows us to realize a competitive advantage and unlock potential.

Looking ahead

As we move into 2019, we will continue to focus on increasing our trading relationships, either onscreen or bilaterally, and developing the full potential of our London and Hong Kong offices. We will also concentrate on increasing the diversity of asset classes we trade in. Together, these areas are aimed at developing our long-term strategy to be the liquidity provider for investors globally, enabling them to transfer risk at minimal costs across all assets classes and in all available products.

This very successful year was made possible through the commitment of the dedicated team at Flow Traders, and we would like to extend our thanks to them, as well as our shareholders and other stakeholders, for their ongoing support and contribution.

Regards,

Dennis Dijkstra, Folkert Joling, Sjoerd Rietberg and Thomas Wolff.

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 2.685 percent. Flow Traders shares are also included in several other indices issued by leading index providers like MSCI, (MSCI Netherlands IMI 25/50 Price Return USD Index), FTSE, (FTSE Developed ex US All Cap Net Tax Index), Wisdom Tree (Europe Smallcaps Dividend Index, Europe Domestic Economy Index, Europe Quality Dividend Growth Index, Global SmallCap Dividend Index) and Euronext (Euronext AEX All-Share Index, AEX All-Tradable Index, Euronext 150 Index, Small Caps 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 (Euronext definition)*	75%
Market cap at year end (€)	1,295,520,480

Source: Euronext as per 31 December 2018.

* *Official Euronext definition.*

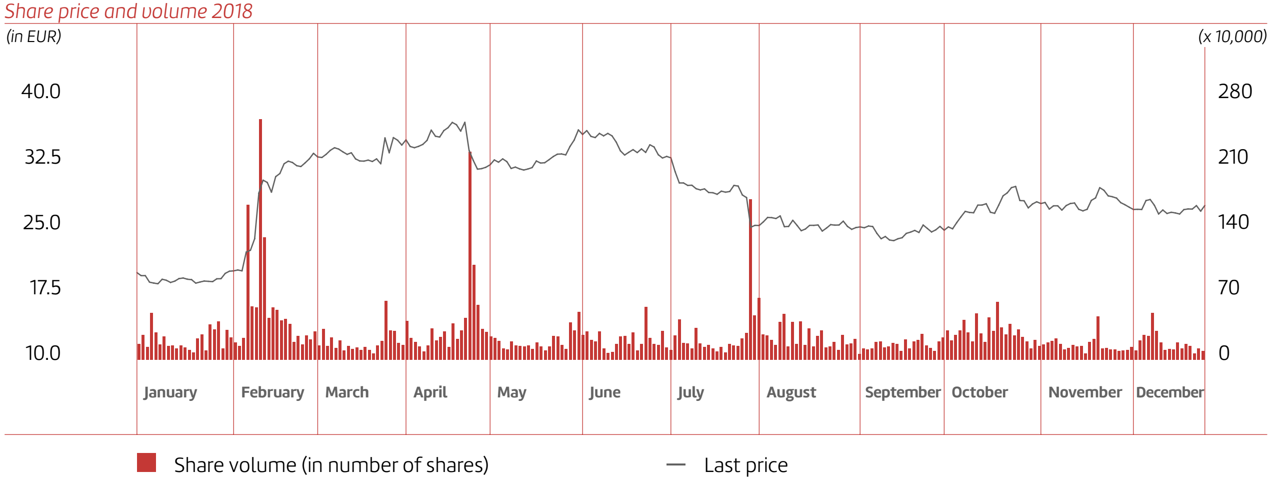
Performance and key figures

KEY FIGURES PER SHARE

Earnings per share	€3.46
P/E ratio	8.0
Interim dividend per share	€1.35
Final dividend per share	€1.00
Total dividend per share 2018	€2.35
Dividend yield	8.44%
Year-end share price*	€27.84

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

Share price and volume 2018



VOLUMES

Total annual volume	66,160,000
Daily volume - high	2,574,468
Daily volume - low	28,612
Average daily volume	258,565

Source: Bloomberg.

SHARE PRICE PERFORMANCE

Opening price 2 January 2018	€20.10
Annual highest price (closing)	€37.24
Annual lowest price (closing)	€17.13
Closing price 31 December 2018	€27.84

Source: Bloomberg.

Analyst coverage

The following analysts cover Flow Traders as of 31 December 2018:

Institution	Analyst
ABN AMRO	Ron Heijdenrijk
Bank Degroof Petercam	Michael Roeg
Credit Suisse	Enrico Bolzoni
Exane BNP Paribas	Gregory Simpson
ING	Albert Ploegh
Kempen	Syed Anil Akbar
Morgan Stanley	Anil Sharma / Jacqueline Ho
UBS	Michael Werner

Financial calendar

1Q Trading Update	16 April 2019
Annual General Meeting	8 May 2019
Ex-dividend final dividend 2018	10 May 2019
Record date final dividend 2018	13 May 2019
Payment date final dividend 2018	15 May 2019
1H Results release	24 July 2019

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 2018

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 2018 (totaling €160.9 million), an amount of €52 million shall be added to the reserves. The remaining amount of €108.9 million is at the disposal of the General Meeting of Shareholders (General Meeting).

It is proposed to the General Meeting that a total cash dividend of €2.35 per share will be paid out to shareholders for the financial year 2018, subject to a 15 percent dividend withholding tax (*dividendbelasting*). An interim cash dividend of €1.35 per share was paid out on 13 August 2018. This means that the final cash dividend proposal to the General Meeting is €1.00 per share. Subject to approval by the General Meeting on 8 May 2019, shares will trade ex-dividend on 10 May 2019. Payment of the final dividend is anticipated to be made on 15 May 2019. 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

Serge Enneman	
Telephone	+31 20 799 6799
E-mail	investor.relations@flowtraders.com

Our Management Board

Flow Traders has a highly experienced management team and a unique team-driven culture. As at 31 December 2018, our Management Board consists of Dennis Dijkstra (Co-CEO), Sjoerd Rietberg (Co-CEO), Thomas Wolff (Chief Technology Officer) and Folkert Joling (Chief Trading Officer). Marcel Jongmans has resigned as Chief Financial Officer, effective 8 December 2018.

Dennis Dijkstra – Co-CEO

Dennis Dijkstra joined our company as CFO in 2009 and was appointed Co-CEO in January 2014. In his role of Co-CEO Dennis focuses on HR and recruitment, institutional trading, relationships with issuers, legal & compliance, internal audit, finance and tax, investor relations, relationships with regulators and the organizational structure. 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.

Sjoerd Rietberg – Co-CEO

Sjoerd Rietberg joined our company in 2005 as a senior trader and was named Head of Trading in 2009 and COO in 2010. He was subsequently appointed Co-CEO in January 2014, focusing on trading operations, trading strategy, clearing, mid-office and technology. Sjoerd holds no ancillary positions. Prior to joining Flow Traders Sjoerd Rietberg held a trading position at Newtrade Derivatives.

As announced in the press release dated 13 September 2018, Sjoerd Rietberg has taken the decision not to opt for reappointment as Management Board member and Co-CEO in 2019.

Sjoerd Rietberg is a Dutch national with a Master's degree in Finance from Erasmus University Rotterdam.

Thomas Wolff

Thomas Wolff joined our company in 2009 as a senior system administrator after having worked at an independent trading software vendor for nine years. 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. In 2018 Thomas was appointed Chief Technology Officer.

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

Folkert Joling

Folkert Joling joined our company in 2006 as a trader and was named Head of Trading in 2011 and Global Head of Trading in 2016. Having twelve years of experience in our trading department, Folkert was appointed Chief Trading Officer in 2018. 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.

'We provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs)'

Our Business

We provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs). ETPs are baskets of securities made up of shares, bonds, commodities or alternative products. ETPs often track indices and, unlike most mutual funds, can be traded throughout the day on trading venues. We do this globally, enabling investors to buy and sell ETPs efficiently by quoting bid and ask prices under virtually all market circumstances. In 2018 we have made the first step in diversifying our market making activities into other asset classes, like Foreign Exchange (FX). The modularity of our Trading infrastructure allows for efficient leverage on our trading capabilities in all financial products and not only ETPs.

Markets & Trends

Our business

In 2018 we traded in well over 10,000 financial instruments, and have access to more than 161 trading venues in 40 countries around the world. We provide liquidity in over 6,500 ETP listings on- and off-exchange, which is over 50 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to almost 1,000 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others and this number is increasing on an almost daily basis.

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

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

Irrespective of what we trade, as a liquidity provider we generally do not have a directional opinion on the market. In other words, our results do not depend on the direction of market prices. Our Net Trading Income (NTI) is realized through the small price differences that are realized between buying and selling related or correlating assets. Whether that is between the ETPs we buy or sell, and the prices we pay or receive for the underlying or related financial instruments to mitigate our risk, or trading FX pairs.

The ETP market

The popularity of ETPs has continued to grow in recent years. According to asset manager BlackRock Advisors, global ETP Assets under Management (AuM) grew from €3,962 billion in 2017 to €4,192 billion by the end of 2018. This growth is expected to continue, with sources such as BlackRock, PwC, Boston Consulting Group and EY predicting that the market will grow further to over $7.6 trillion by 2020, as investors continue to invest in low-cost, transparent and easy-to-trade passive investment strategies. This contributes to the long-term value creation of Flow Traders' strategy.

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

Review of 2018

Global ETP markets grew by only 6 percent in 2018 measured in AuM driven by adverse market conditions in December 2018. Annual global inflows of ETP AuM were €450 billion in 2018 (2017: €554 billion – source BlackRock Global ETP Landscape December 2018), resulting in the second best year after 2017. Overall trading activity in 2018 picked up, with investors anticipating on geopolitical developments and decisions by Central Banks to stop their quantitative easing programs.

Global coverage

Flow Traders has expanded substantially in 2018. We opened offices in Hong Kong and London, which means that Flow Traders now trades globally from five offices, in Amsterdam, Hong Kong, London, New York and Singapore.
The largest ETP market is still in the United States, where total ETP value traded (on-exchange and off-exchange) was €21.8 trillion in 2018. Our New York office's total ETP value traded was €391 billion in 2018, an improvement versus 2017 and, for the second year in a row, a record year for Flow Traders US since inception. With institutional trading gaining further momentum in 2018, Flow Traders US continued to grow its overall presence.

The EMEA ETP market had a total ETP value traded of €1.35 trillion in 2018. Our total ETP value traded from our Europe offices was €474 billion in 2018. We remained the number one liquidity provider in ETPs in EMEA and managed to grow our on- and off exchange presence further. We opened a branch office in London, United Kingdom in the fourth quarter. The opening of a branch office fits within our UK strategy and the expanding ETP industry and regulatory developments, alongside other asset classes such as FX.

Besides creating a strong foothold for institutional trading, our new London branch office further serves departments such as Institutional Trading and Recruitment in their daily operations.

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 remain dominated by the top-10 most traded ETP products, as those 10 determine roughly 55-65 percent of the total market volumes. The total ETP value traded (on-exchange and off-exchange) was €2.2 trillion in 2018, including China, while the total ETP value traded at our Singapore office was €35 billion. With our Hong Kong and Singapore office together now providing liquidity in the APAC region, Flow Traders had a successful year in 2018 in APAC, confirming the contribution of investments made in 2017 and 2018 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 2018. Until now, MiFID II developments have shown a beneficial impact on our counterparty base, as investors increased their focus on best execution, regardless of research access. With the expansion of the offices to London and the launch of the FX liquidity providing, we have the building blocks in place to increase our presence in Europe in 2019.

In the Americas, our ETP value traded continued to grow substantially in 2018, but remains relatively limited compared to the 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 2018 and is expected to grow further in 2019. 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. In order to facilitate our future growth, we opened an office in Hong Kong in the fourth quarter of 2017, received the license from the Hong Kong regulator (the Securities and Futures Commission) required to become an Exchange Participant of the Hong Kong Stock Exchange in January 2018, and we have been increasing our footprint and visibility in the region ever since, supporting our institutional trading and reaffirming our role in the ETP ecosystem in the region.

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

Products

ETPs

Exchange Traded Products, the main products that we trade, are often compared to mutual funds mainly 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 tracks 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.
They 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.

Exchange-Traded Notes (ETNs)
ETNs are a type 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.

What is an ETP?

What is an ETP?

- ETPs are passive investment vehicles
- An ETP derives it 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

- Transparant 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)

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.

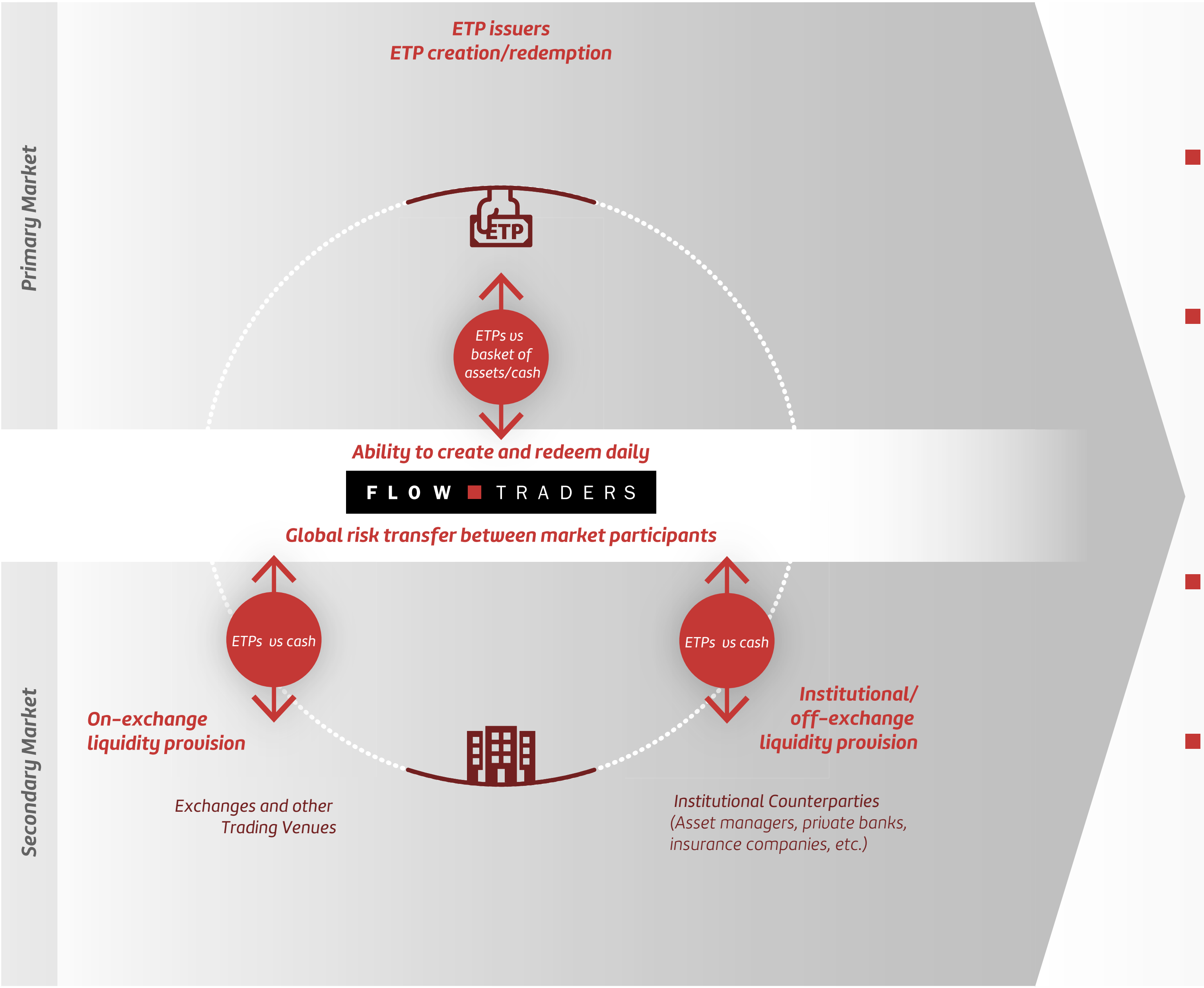
Primary market

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. Authorized participants 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 ETP's AuM. In this way, the issuance of ETPs through authorized participants 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 authorized participant 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 ETP's 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 authorized participants. Secondary markets include exchanges and other automated trading venues, as well as off-exchange trading between market participants such as large institutional investors.

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

FX

Flow Traders started providing liquidity in FX as a separate asset class in 2018, trading first on Fastmatch, followed soon thereafter by other platforms, such as CBOE FX and Currenex. This marks an important step for the company, as it is the first time we have started providing liquidity in a new asset class, alongside ETPs. Flow Traders has always been present in the FX market, across all platforms, as a price taker to mitigate our risk when trading ETPs. We recognized there was an opportunity to provide liquidity in an increasingly transparent market, which also connects strongly to our ETP universe. We now 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.

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 (where 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

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.

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 2018 our total technology expenses declined by 5 percent versus 2017. Control on expenses tightened and resulted in a decrease in expenses, without lowering the support it gave to the improvements in our infrastructure and the growth in the number of trading venues. In 2018 our technology expenses were 39 percent of our total fixed expenses. Including salaries this would be 51 percent (55 percent in 2017), which highlights our focus on technology as part of our business model. The number of technology FTEs grew from 143 to 162, also confirming our overall growth.

Real-time risk management

Identifying and monitoring risk

We manage risk effectively across the company. Within the trading environment we monitor our trades and positions, market exposure, portfolio efficiency, and liquidity on a real-time basis. Our risk management system is tightly linked to our trading platform, analyzing pricing data and ensuring that our order activity is conducted within pre-determined trading and position limits. At the same time, the system reconciles internal transaction records against those of our prime brokers and exchanges where possible. Off-exchange we use strict risk management approval and monitoring procedures for institutional trading counterparties. Additionally, we settle almost all of our off-exchange trades through delivery-versus-payment, which means that the delivery of securities occurs simultaneously with payment by the buyer, thus limiting counterparty risk. For more information, please refer to the chapter Our Risk Management.

Strategy

Our strategic ambition

Our ambition is to be a one-stop shop for liquidity in the global financial markets.

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

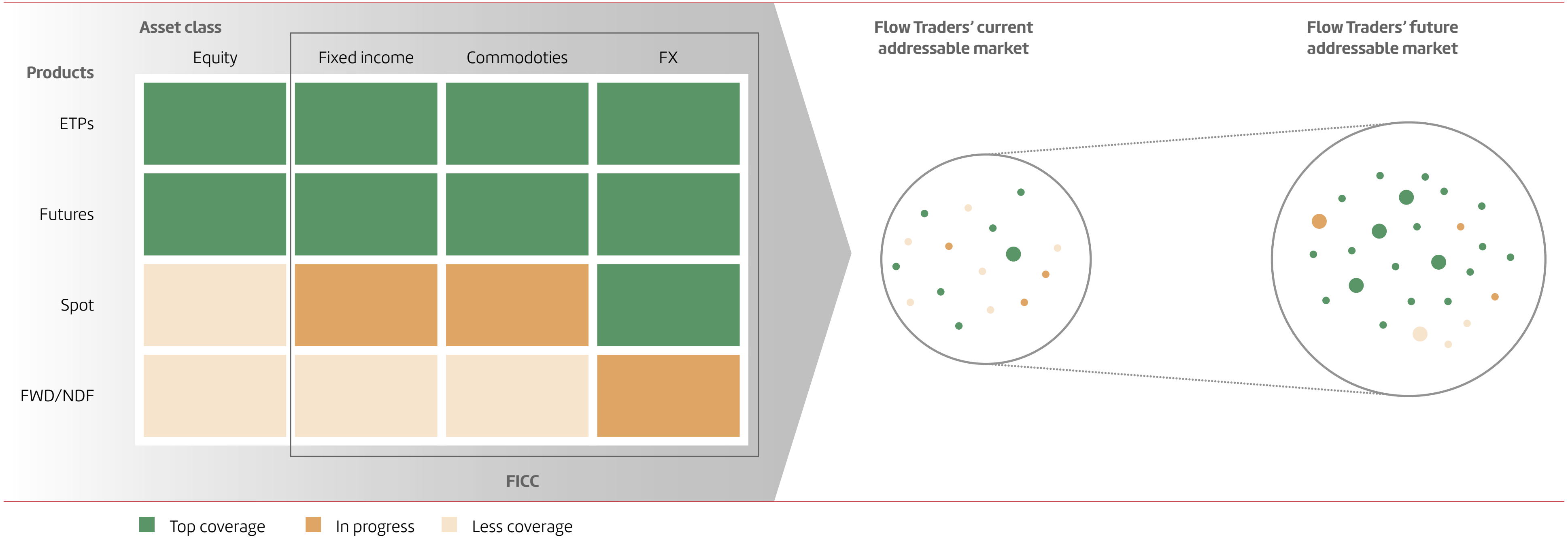
Our business principles are being flexible, agile and being focused on continuous improvements. To be successful, we recognize that we need to perform well across all areas of the business. Achieving this involves diligently studying the markets and our responses to them, and using our resources where 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. This should result in increasing our NTI, while maintaining our desired risk profile, controlling costs, and securing and attracting the right talent. Increasing our NTI

Flow Traders' current market coverage

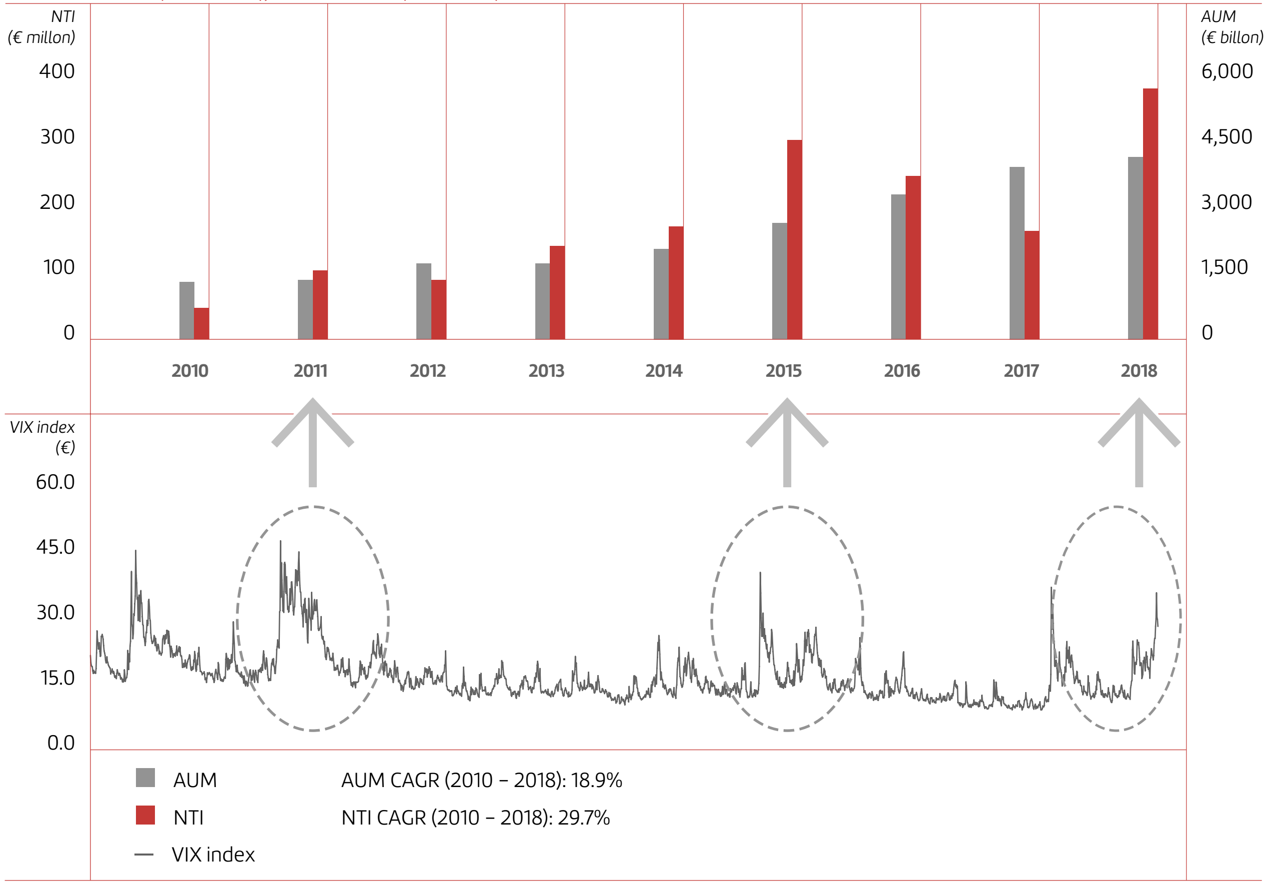
Leveraging our scale and capabilities to diversify into new products & asset classes



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 opinion on market movement or direction. 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, Flow Traders builds a foundation to support its long term growth trend. As is shown in the figure below, Flow Traders has grown its NTI consistently since 2010. By growing our presence in the underlying asset classes, Flow Traders expects to even improve its performance in the future, also in times where the trading activity in the market may slow down.

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

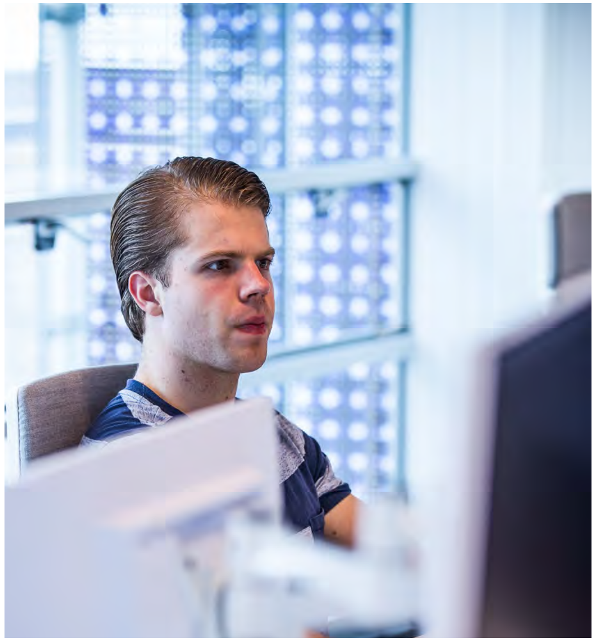


Financial overview

Net Trading Income

The 2018 macro-economic topics linked to the United States' domestic politics and foreign affairs, especially around Europe and China, as well as the turmoil surrounding Turkey and Italy, impacted markets and affected trading activity. Besides that, Central Banks reduced or stopped their quantitative easing programs. This made it difficult for investors to predict market developments, leading to a pickup in market trading activities.

Our NTI developed strongly in 2018, supported by the exceptional market circumstances at the beginning of February. Our 2018 NTI rose to €383 million (2017: €166 million), our highest NTI level since inception. Flow Traders' total value traded in 2018 grew to €3.6 trillion (2017: €2.9 trillion), of which €899 billion (2017 €686 billion) was traded in ETPs. The rest was traded in related financial products to facilitate competitive pricing in ETPs. Market ETP value traded rose to €25.4 trillion, (2017: €18.5 trillion).
This highlights the impact of the changes in market conditions we witnessed in 2018. On top of the changes in market conditions, the exceptional market activity in February contributed to a record annual performance, confirming the potential of our business model.



In the fourth quarter of 2018, Flow Traders delivered a strong finish to what was already a record year. Financial markets turned more cautious, Flow Traders total value traded increased 52 percent quarter-on-quarter, as velocity increased strongly. Flow Traders reported an NTI of €74.1 million in 4Q18, realizing the best NTI ever realized in the fourth quarter.

Market volatility

In 2018 market volatility recovered from the lows witnessed in 2017. The main volatility took place at the beginning of February, after which market volatility slowed down again. VIX fell back to levels around 15-20, which was well above those in 2017. Towards the end of 2018, market activity picked up again as tensions around geopolitical developments rose, causing the VIX to trade at levels between 15-35.

Operational expenses

Our fixed operational expenses developed well within the guided fixed cost growth rate of maximum 15 percent annually. While on one hand we continued to invest in our people and technology to ensure future growth, our FTEs grew 10.7 percent to 436 year end 2018, on the other hand we improved efficiency and kept a tight control on execution and process management. Due to this focus, fixed expenses grew by 7.1 percent, helped by especially tight control on our technology expenses. This contributed to an EBITDA margin in 2018 of 52 percent (2017: 34 percent). Going forward, we reiterate our fixed costs growth guidance of a maximum rate of 15 percent annually.

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 €1.35 interim dividend in August 2018 and propose to pay €1.00 as a final dividend over 2018. Over the course of 2018 we therefore aim to return a total of €2.35 through dividends to our shareholders, which represents a 68 percent dividend pay-out ratio.

We complied with the regulatory capital requirement of the EU Capital Requirements Regulation (CRR) well before the deadline of 31 March 2018. After detailed assessment, we implemented the requirements applicable, which confirmed the solid capital base we have always had. At 31 December 2018, our regulatory capital requirements under CRR were €168 million. As Flow Traders' capital maintained at €278 million and this resulted in an excess capital position of €110 million.

Growth

We continued to grow our team, strategies and infrastructure in 2018. We increased our institutional counterparties globally to over 1,000, increased the number of products in which we provide liquidity to over 6,500 and increased the number of venues connected to 161.
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 436 by year-end (2017: 394).

Our People

Our success is driven by a combination of smart trading strategies, state-of-the-art proprietary technology and prudent risk management. Our people are critical in delivering on these items, which is why we aim to recruit and retain the best talent available.

Culture

Open, informal and diverse culture

Our work environment is a reflection of the things we believe in. We believe that it is more important how you perform 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. Therefore, we welcome and encourage everyone to share their opinions. Anyone with a good idea, whether it is in their own area of expertise or another, is encouraged to put this forward. This is part of our open, informal and diverse culture.

One of our core values is ownership, and we mean this 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 award company shares to employees marking their two-year anniversary.

Our employees include people from different backgrounds and nationalities. We have economists, engineers, computer scientists, mathematicians, lawyers and physicists amongst our employees. We harbor people from 45 different nationalities (2017: 43). This diversity ensures different viewpoints are brought into discussions, and we believe this leads to better, more innovative outcomes for the company.

Attracting Talent

How we recruit

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. Our recruitment strategy contributes to numbers 5 and 10 of the United Nations Sustainability Development Goals, aiming to promote Gender Equality and reducing inequalities.

Junior 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.

To facilitate greater opportunities for young talent in technology, we successfully launched the Graduate Software Development program in 2018 and will continue investing in its development with new graduates joining in 2019.

Candidates for other roles are qualified specialists who have relevant work experience. We make very little use of contractors or temporary employees.

In 2018 we continued hosting, participating in, and sponsoring a variety of events, ranging from in-house days, an inspirational women's event, and various meet ups. With the opening of our new London branch, we have increased our presence in the relevant universities in the UK and held multiple recruitment campaigns.

Management Scope Corporate Impact Index is a ranking for sustainable employment. In 2018, we were one of four companies that achieved the highest score in the area of employment, according to the Management Scope Corporate Impact Index. Management Scope highlighted our attractive employment conditions, and noted that we maintain a culture in which employees feel that they can remain true to themselves.

In 2018, we won the Talent Award for Best Employer Brand on LinkedIn. LinkedIn awards this recognition to companies based on their utilization of LinkedIn Solutions and activities on the LinkedIn platform. We received the award based on the following criteria: Engagement, Reach, LinkedIn life page completeness score, and Employer branding posts score.

Engage and Invest

Our offices

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, London, New York and Singapore, and organize great company trips and parties.
In Amsterdam, we also have our own in-house gym facilities. 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 2018 we had over 80 new hires, resulting in approximately a 10 percent increase in the number of employees versus 2017. 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.

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.

Training and rotation

We help our employees shape their own future. Via our internal learning platform, the Flow Academy, we offer everyone varied training opportunities, aimed at improving function-specific skills or for their own personal development. In 2018, we further expanded the available offerings, with both online and live training session formats.

Most 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.
To further support them in their personal growth, a leadership development program was introduced in 2018.

To complement self-growth, we also like to give our employees the chance to transfer between our offices and experience life and work elsewhere.

Remuneration

We reward our uniquely skilled employees with an attractive combination of fixed and variable pay. When awarding variable compensation, we look beyond an employee's individual results or direct area of responsibility. The variable pay element depends on company performance, individual performance, and how an employee contributed to the long-term success of the company as a whole. We use this compensation structure as an important tool to stimulate teamwork and risk awareness and to reward performance. For example, awarding variable remuneration and payment of deferred variable remuneration depends on the future profitability of the company, which means we only award variable remuneration, or pay-deferred remuneration, if there is sufficient profit and capital to do so.

For information on companywide average compensation please refer to the chapter Remuneration.

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. Our Co-CEOs 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. Following our IPO, these shares remained subject to lock-up provisions and the relevant people may only transfer or sell their shares as set out below:

- up to $33\frac{1}{3}$ percent of these shares became available for sale on 10 July 2016;
- up to $66\frac{2}{3}$ percent of these shares became available for sale on 10 July 2017;
- all of these shares became available for sale on 10 July 2018.

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. The remaining parts of the shares will be released as set out below:

- up to 50 percent of these shares will become available on 1 June 2019;
- 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 26 in the Financial Statements.

NUMBER OF UNRELEASED SHARES*

	Shares subject to release	% of outstanding shares
Dennis Dijkstra (Co-CEO)	37,500	0.1%
Sjoerd Rietberg (Co-CEO)	51,563	0.1%
Thomas Wolff (CTO)	6,750	0.0%
Folkert Joling (CTrO)	65,625	0.1%
Others (excluding members of the Supervisory Board)	675,562	1.5%
Total	**837,000**	**1.8%**

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

Shares held by members of the Management Board

The table below provides an overview of the shares held by the members of the Management Board, including those who are under lock-up and as reflected in the relevant AFM register on 31 December 2018:

SHARES HELD BY MEMBERS OF THE MANAGEMENT BOARD

(31 December 2018)		% of outstanding total shares
Dennis Dijkstra	1,013,295	2.18
Sjoerd Rietberg	792,745	1.70
Folkert Joling	360,000	0.77
Thomas Wolff	29,399	0.06
Total	**2,195,439**	**4.71**

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 2018 as also reflected in the relevant AFM register.

SHARES INDIRECTLY HELD BY MEMBERS OF THE SUPERVISORY BOARD

(31 December 2018)		% 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**

EMPLOYEES PER BUSINESS UNIT/NATIONALITIES ON 31 DECEMBER 2018

	Dutch	American	Indian	Romanian	German	Singa-porean	UK	Other	Total
Trading	71	28	11	–	8	4	3	30	155
Technology	33	16	18	16	7	2	7	64	163
Risk & Mid-Office	15	6	1	–	–	6	1	2	31
HR & Facilities	17	6	2	2	–	2	–	4	33
Legal & Compliance	16	3	1	–	–	1	1	2	24
Finance	9	3	–	–	–	1	–	2	15
Managing Directors	8	–	1	–	1	–	1	–	11
Supervisory Board	4	–	–	–	–	–	–	2	6
Internal Audit	2	–	–	–	–	–	–	–	2
Total	**175**	**62**	**34**	**18**	**16**	**16**	**13**	**106**	**440**

NUMBER OF EMPLOYEES AS OF 31 DECEMBER 2018

	Amsterdam	New York	Cluj	London	Singapore	Hong Kong	Total
Female	41	10	5	–	9	3	67
Male	245	63	8	1	39	16	371
	286	**73**	**13**	**1**	**48**	**19**	**440**

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 2018.

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

Flow Traders and Society

Sustainability statement

Our activities influence the society we live in. As a liquidity provider we are active on global financial markets and we contribute to transparency and to the pricing process, enabling market participants to invest at fair prices and lower costs. Our activities contribute to sustainable employment and technological innovation in our society and we are committed to full compliance and integrity. We seek to limit our environmental footprint and contribute to our society and immediate vicinity.

Our activities do not involve the production, use, processing or transport of physical goods. However, sustainable business and value creation is of high importance to Flow Traders. We aim to reach a sustainable environment by means of – amongst others – our environmental footprint, societal commitment and commitment to charity and our Equal Opportunity Policy.

We are committed to creating long-term value for all, taking into account all our relevant stakeholder groups, including shareholders and employees.

We are aware of our impact on society while executing our business strategy. Five themes summarize our interaction with society:

1. We offer liquidity to financial markets;
2. We offer sustainable employment;
3. We are committed to full compliance and integrity;
4. We are committed to fair taxation and transparency in financial reporting;
5. We are involved in society, and our local environment.

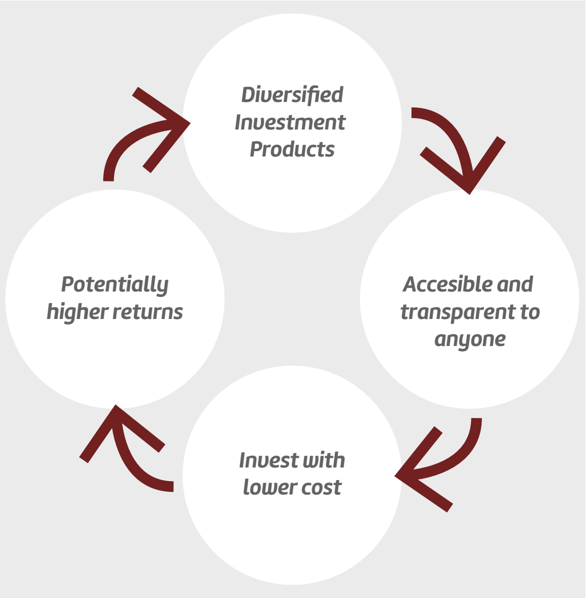
1. We offer liquidity to financial markets

We contribute to transparency and the effective operation of global financial markets by providing liquidity to markets globally. We facilitate that thousands of exchange-traded products (ETPs) and other financial products can 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.

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, and not only the happy few, has never been more efficient. This benefits institutional investors, individual investors and, ultimately, society at large.

Stakeholder dialogue

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.



2. We offer sustainable employment

By creating and maintaining high-quality jobs we help develop a stable and trusting working environment that benefits our people, our business, and society. Since we started in 2004, our goal has been to foster a culture that encourages innovation, entrepreneurialism and risk-awareness, while focusing on drive, teamwork and ownership. Developing talent in-house and maintaining a committed and substantial employee shareholder base strengthens internal bonds and helps create a loyal, forward-looking team. We invest in employees for the long run. We encourage our people to move between offices internationally, to share ideas and best practices across the company, while experiencing life in different cultures. Although our business does not directly affect human rights issues, we are strong proponents of ensuring fair and equal treatment for all and expect the same from our employees, relationships and stakeholders.

Diversity

We believe that a diverse workforce helps create a richer variety of ideas and provides better 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 work 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 45 nationalities across our offices. The composition of our workforce tracks the outflow of the education system in the various roles we offer at Flow Traders. 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. As also underpinned in the Corporate Governance Code we have an Equal Opportunity Policy in place. Please refer to the chapter Our Governance for further information.

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 a 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 straight-forward Remuneration Policy that permits variable pay only when a profit is made. We are continuously looking for ways to improve our remuneration principles. And because variable remuneration is, to a large extent, deferred, it remains at risk of forfeiture in the case that 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'. Please refer to the chapters Our People and Remuneration for more information.

Education

We provide our people with a range of excellent training programs, benefitting them and the company. New hires within the Trading and Technology departments follow rigorous initial training. All our new employees receive an introduction to Flow Traders through the Flow Academy. It includes an 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, as well as a diverse offer of on-site trainings. For additional information, please refer to the chapter Our People.

Employee dialogue

We take good care of our people and stakeholders. We ensure a high-quality working environment, fair treatment and equal remuneration principles for all our staff, including contractors, regardless of gender, tenure or personal factors. All employees and contractors have 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 better. 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. In addition, we hold regular employee surveys, including one carried out by 'Great Place to Work', an independent company. Great Place to Work receives our employees' insights on how the company is doing and their experiences about their day-to-day workplace. Flow Traders follows up on the comments by discussing the various topics that can be improved and by taking concrete actions.

3. We are committed to full compliance and integrity

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 conducting business ethically and honestly. 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.

Anti-bribery, anti-corruption and anti-money laundering

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.

Whistleblowers

On top of 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. Every new hire will receive this course going forward.

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 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.

4. We are committed to fair taxation and transparency in financial reporting

Fair taxation

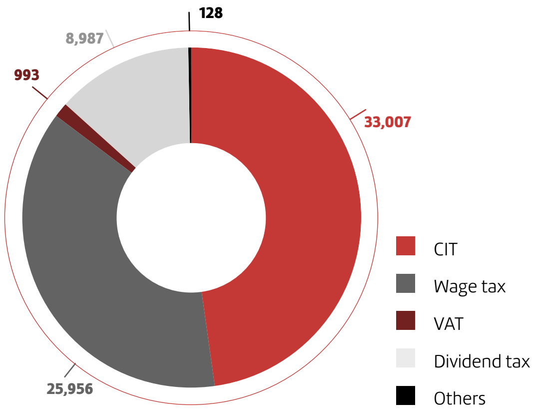
We are committed to being good corporate citizens, bringing positive value to the communities we operate in. We pay taxes where they are due and subscribe to fair taxation, both in terms of corporate taxes and wage taxation. In 2018 we paid total corporate income taxes of €33.0 million which was 8.6 percent of our NTI.

Principles of financial reporting and tax policy

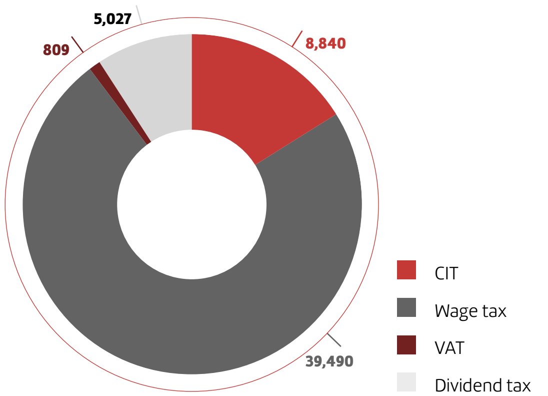
Flow Traders is prudent and transparent in respect of its financial reporting and its relations with tax authorities globally. With regard to financial reporting, conservative accounting principles are being applied and one-offs must occur infrequently and be clearly documented.

As aforementioned, Flow Traders operates a fair, transparent and straightforward tax policy, which we believe is important when running a sustainable business and delivering long-term value to all our stakeholders. The dialogue we have with stakeholders includes discussions on the company's financial reporting and tax policy and, as with all stakeholder input, is considered during our decision making process, but so far has not lead in a desire from the stakeholders to change our tax policy. The open dialogue towards our financial reporting and tax policy has not resulted in any material requests to change our reporting or

Total taxes paid 2018 (€ 69.1 million)



Total taxes paid 2017 (€ 54.2 million)



tax policy. For every business decision, tax aspects are presented and weighed as part of the decision making process. The commercial needs will in no circumstances override compliance with (tax) laws and they strive to be compliant with the spirit of the law. The company supports transparency initiatives such as the country-by-country reporting and Base Erosion and Profit Shifting from the Organisation for Economic Cooperation and Development (OECD) and assesses frequently the impact of such initiatives. Where necessary or relevant, Flow Traders takes the appropriate actions to adopt these initiatives in its 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 the entire company's 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 pro-actively 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. The key participants in the Tax Control Framework are well established and include the Supervisory Board, Managing Board, Finance & 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.

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. For more information on our tax position, please refer to note 13 of the financial statements.

5. We are involved in society, and our local environment

Environmental footprint

Many of our employees live reasonably close to our offices, limiting travel. No employee is offered a lease-car. We seek to limit our energy use and CO_2 emissions to take care of our environment. When refurbishing our offices we sought to use more environmentally friendly solutions for lighting and water consumption. We are continuously looking for solutions to reduce the use of single-use plastic, currently phasing out single-use water bottles. This limits plastic waste significantly. We regularly review opportunities to compensate or limit our footprint, for instance by applying greener alternatives and carrying out annual energy audits in order to assess and reduce our impact on our environment. With this approach, we intend to contribute to the United Nations Sustainable Development Goal 13, Climate action.

We offer a full lunch to all our employees, healthy and free of charge. We make sure to limit our food waste as much as possible by responsible purchasing of ingredients and making sure leftovers are consumed the next day.

Societal commitment and charity

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 the knowledge and experience that we have available. Our people are enthusiastic about supporting charitable initiatives, which has always been part of our working culture. We engage in the 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.

Next to the individual initiatives of our employees to contribute to society, we have chosen to focus our 2018 investment in the areas of children's education and sports. We believe children should have the ability to learn, get a quality education (which is the fourth goal on the list of United Nations' Sustainable Development Goals) and to be able to play sports. The initiatives we support include:

NewTechKids Foundation EU Codeweek 2018

This non-profit foundation is focused on developing high quality education, lesson plans, teaching materials and effective training programs for primary school teachers, as it believes that computer science and computational-thinking education at the primary school level is still in its infancy.

One of the initiatives of the NewTechKids foundation that Flow Traders sponsored was the 'Rising Technologists Road Show' in Amsterdam Zuidoost. During this week, the foundation taught more than 500 children in local primary schools lessons focused on introducing the concepts of 'automation' and 'programming' in technology.

IMC Basis

In 2018, we started working together with IMC Basis, a non-profit initiative that helps children from disadvantaged backgrounds to broaden their perspectives on educational and professional possibilities. The initiative is part of IMC Weekendschool, but different in the sense that

we actually adopt a primary school that is located close to the office. The school that we have adopted for three years is OBS de Waaier in Amsterdam Oost.

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 grew up in low-income areas.

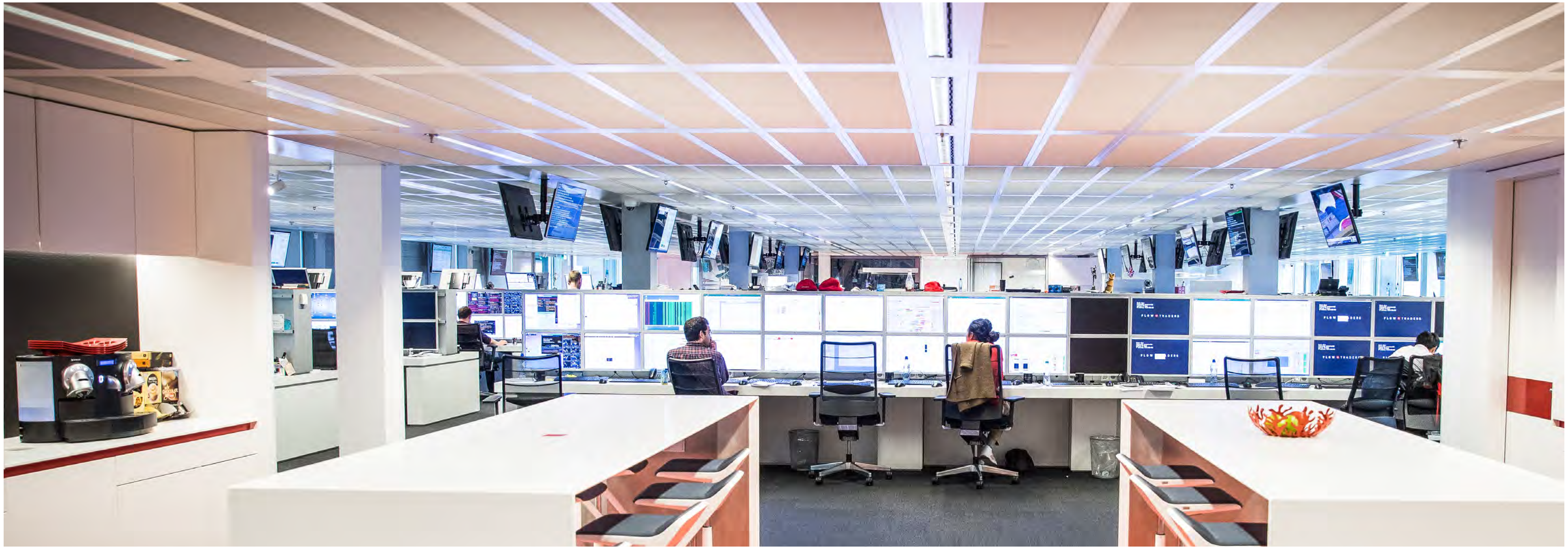
Together with IMC Basis, we have created a program, next to their regular educational program, that gives children the opportunity to explore different professions, such as journalism, architecture (they are going to design their own schoolyard), medicine, art and natural science. These different industries will make up a program of four weeks, during which professionals will give workshops and presentations at the school. There will often be a school outing to the company where the professional works at, for example to a national newspaper or a hospital.

On 25 April 2018, we organized a Workshop day at Flow Traders. In addition to an introduction from Co-CEO Dennis Dijkstra, we organized different types of workshops on topics such as vocational testing, trading, sports and facilities.

The support we provide to both NewTechKids Foundation EU Codeweek 2018 and IMC Basis falls within the scope of United Nations Sustainable Development Goal 4, on the need for Quality Education, improving peoples live and sustainable development.

Life Skills & Clinic – Ajax Foundation

This initiative focuses on primary schools in low-income areas in Amsterdam. The children receive different workshops about nutrition, and how to deal with money and social media. Furthermore, the children also participate in a football clinic, based on the unique training method that Ajax uses. In addition to the technical aspects of playing soccer, the children learn how to treat each other with respect, having fun, discipline and sportsmanship.



Sporttop

Our 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 talents, using their own experience, focusing on the mental mindset rather than the technical aspects of the sport. Together with Sporttop, we hosted a series of inspirational talks for our employees.

Other organizations we sponsored in 2018:

- Stichting Diabetes Onderzoek Nederland 2018
- Sytske Foundation
- Stichting steun Emma kinderziekenhuis AMC
- And over 90 other charities

Individual employees have also initiated the backing of a growing number of charities, with the support of their colleagues and the company:

- Flow Traders, together with its employees, supports the annual Sinterklaas toy drive whereby employees donate toys that their children no longer play with or 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. Supporting this charity is, on a local scale, contributing to the Reduction of Inequalities, as set out in the United Nations Sustainable Development Goals.
- In the fall of 2018, Flow Traders was a Bronze Level 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, seven employees participated and raised and donated additional funds.
- At the end of 2018, all employees, worldwide, were in the position of donating an amount of €1,000 to a charity of their choice instead of receiving a personal Christmas gift. As a result, more than 90 charitable organizations received donations.
- Our employees also take part in sports events to raise awareness and donations for a range of different charities.

Dilemmas

In our daily activities we sometimes encounter dilemmas where we weigh our societal impact against business benefits. Being a listed company, we mostly find them at the intersection of regulations and entrepreneurship. Apart from having internal rules and regulations such as the Code of Conduct and the Whistleblower Policy, we try to assess and resolve these dilemmas by applying common sense and remaining aware of our role within society. For example: while we seek profit by trading in a highly competitive environment, we feel that we must leverage our knowledge and our position as a market participant to safeguard fair, orderly and transparent markets for others. More specifically, we see purpose in protecting retail investor interests in these markets. Therefore, we spend considerable resources and efforts to address such outside interests in our regulatory dialogue as it improves market quality for everyone, including more vulnerable participants.

‘We contribute to transparency and the effective operation of global financial markets by providing liquidity to markets globally’

Our Risk Management

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

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

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

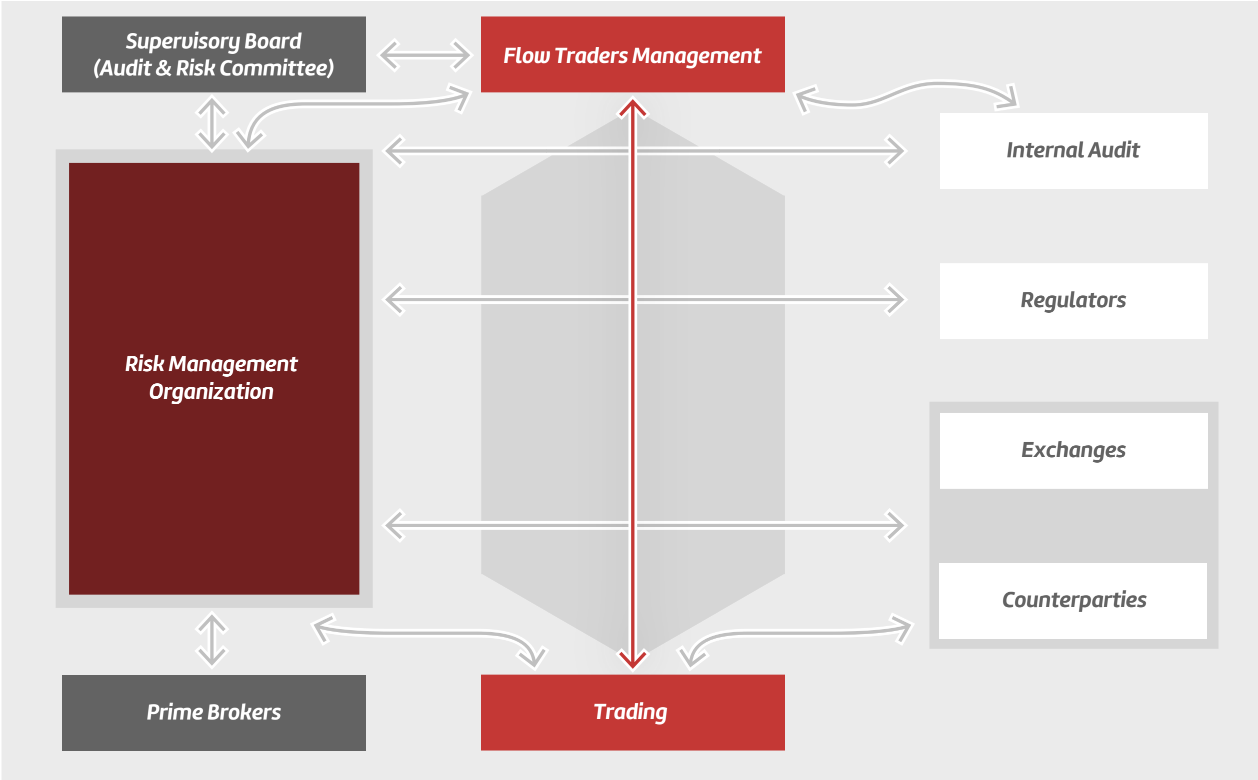


Figure 1

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 and Technology. These two departments are crucial for the core processes within Flow Traders and are responsible for incorporating preventive and detective controls in the day-to-day trading and IT processes and for the continuous monitoring of our systems and trading controls.

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

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

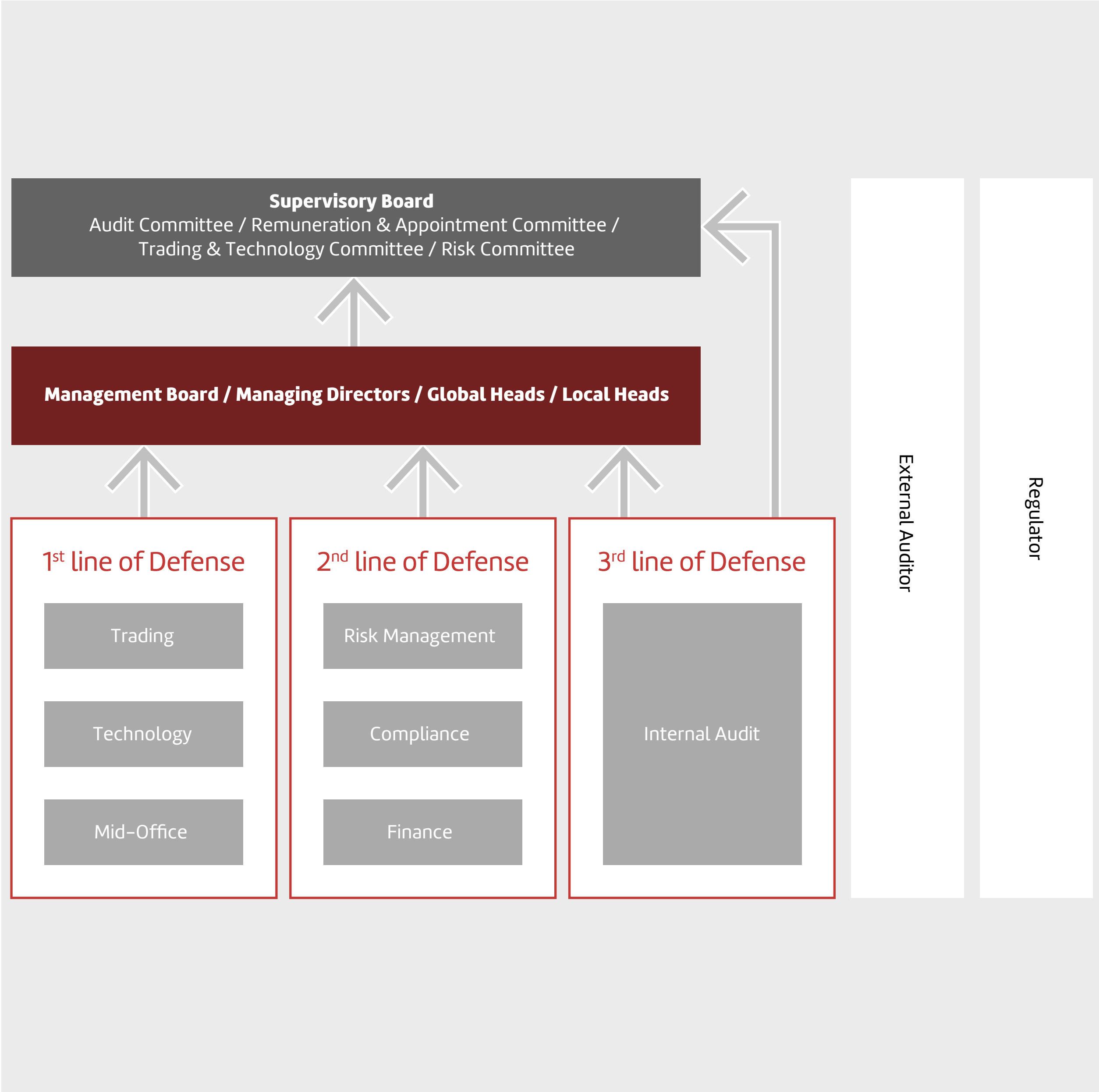


Figure 2. Flow Traders' defence model.

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 Management Board is responsible for:

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

Flow Traders Managing Directors are responsible for:

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

Flow Traders Global/Local Heads are responsible for:

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

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

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

Flow Traders employees are responsible for:

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

The below figure shows the ERM cycle of Flow Traders:

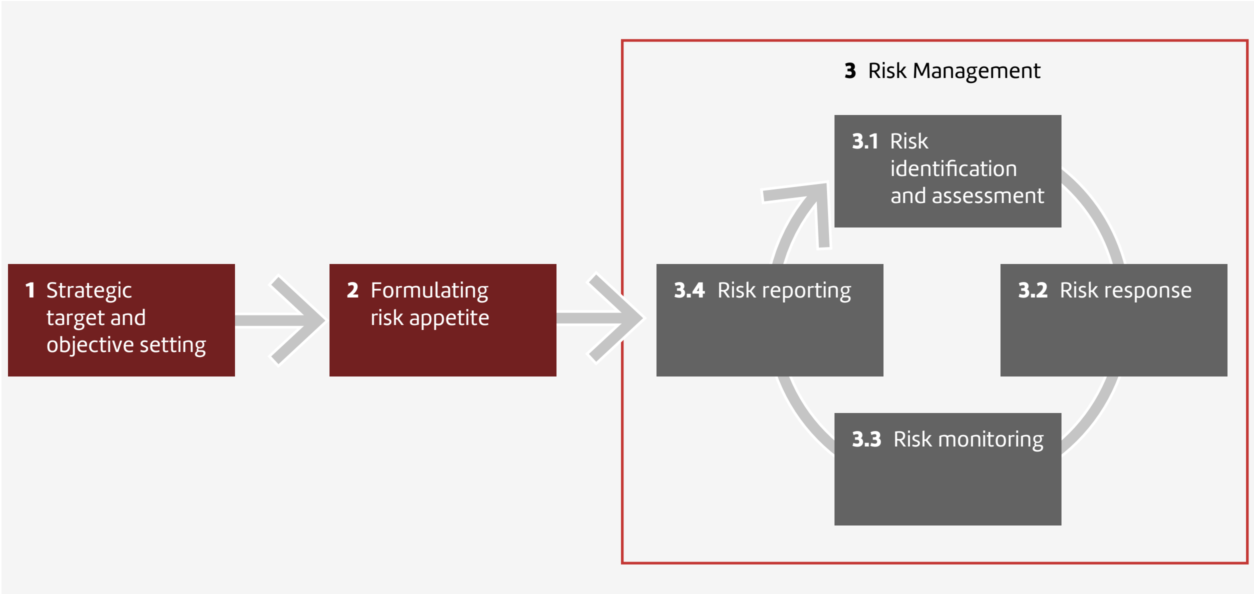
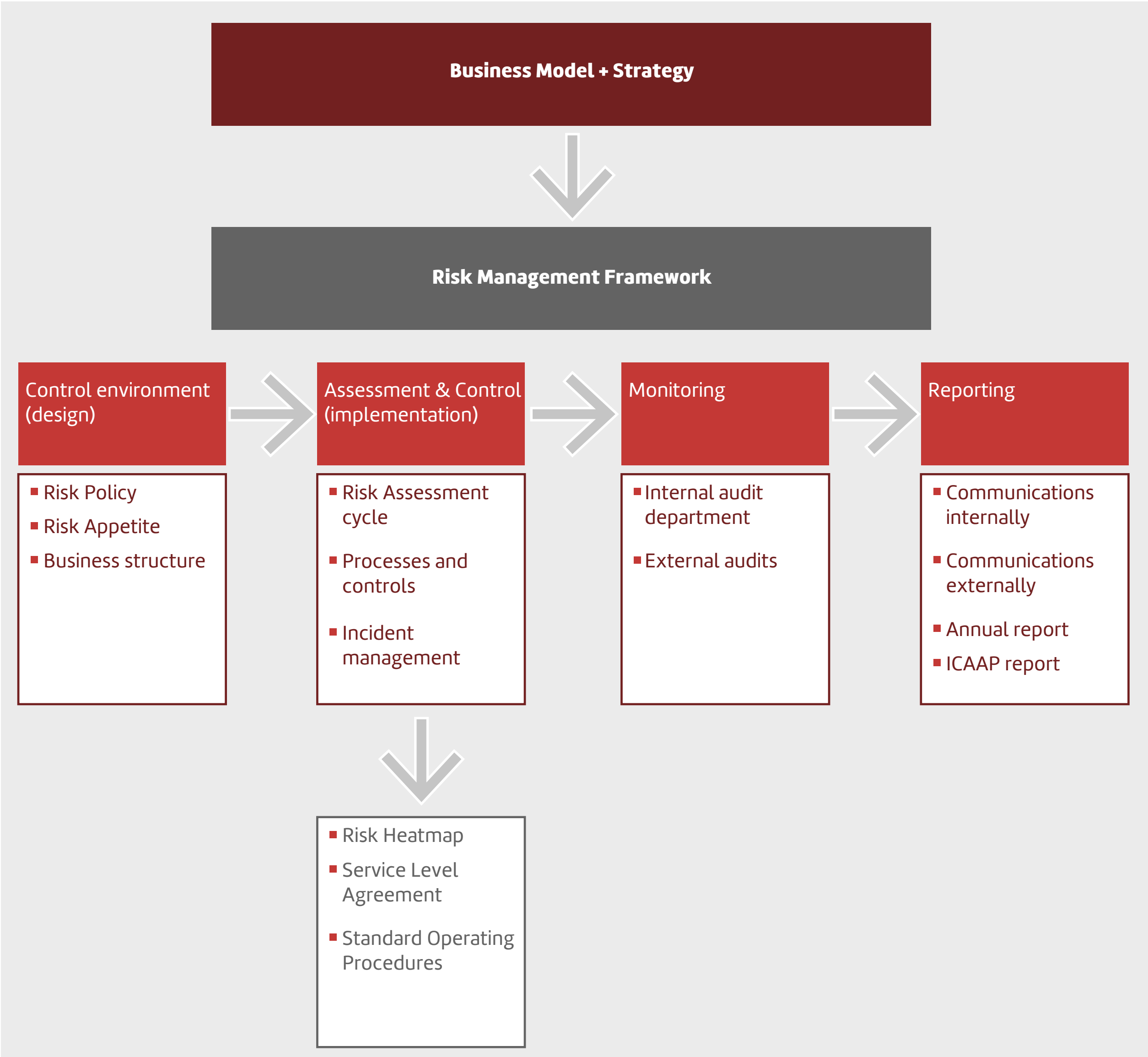


Figure 3. Flow Traders' Enterprise Risk Management cycle.

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



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

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

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

Risk reporting

We have a standing risk committee that continuously assesses the risks we face in our business, comprised of our Global Head of Risk and Mid-Office and the Management Board. Aside from ongoing ad-hoc communication, there is a recurring meeting set up in which they discuss all risk assessments and risk proposals related to position limits, strategies, procedures, capital requirements and other requirements of prime brokers and market developments. Any major changes to our risk systems, strategies and limit setting must subsequently be approved by the Management Board. In 2018 there have not been any major failings in the internal risk management and control systems observed during 2018. Additionally, improvements to the systems are discussed with the Management Board.

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

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

Key risks

Market risk

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

Market activity risk (business risk)

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

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

Operational risk

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

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

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

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

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

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

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

Regulatory risk

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

Flow Traders' trading operations are established in four international jurisdictions and in addition we have opened a branch office in London. As a group we currently trade on more than 161 venues worldwide. In addition, we operate on various venues through brokers. As we have to comply with our home regulations, local regulations and trading rules of all venues on which we trade, our regulatory landscape is vast. Legislators and regulators worldwide strengthen their supervision within our environment, demanding a professional and well-structured compliance organization.

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

The Trading Compliance and Risk and Mid-Office departments have promulgated and implemented pre-trade risk controls, internal rules and regulations that were developed following regulatory requirements, guidelines from market authorities, industry best practices and our own best practices.
Laws and regulations, including tax laws, are subject to change or can be interpreted differently in practice over time. Currently, the European Commission, European Parliament and European member states are negotiating new capital and remuneration requirements (IFR/IFD) which may affect our Dutch trading entity and our Group.
We expect more certainty about the outcome in the next few months. Meanwhile, the remuneration rules in the Netherlands are in the process of being reviewed. We cannot predict the outcome of such regulatory developments and are closely following relevant developments.

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

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

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 2018 financial statements. In reaching these conclusions, the Group's financial position as at 31 December 2018 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 2018 is set out on pages 79 to 115. 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 access globally	CRR Capital Ratio
€166.3 million	**16.3%**
2017: €78.9 million	2017: n.a.

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	
	2018	**2017**
Net liquidity at clearings/prime brokers	414,599	265,956
Cash at bank	10,054	5,879
Net trading capital	**424,653**	**271,835**
Prime broker margin to be posted	(258,300)	(192,977)
Prime broker excess liquidity	166,353	78,858

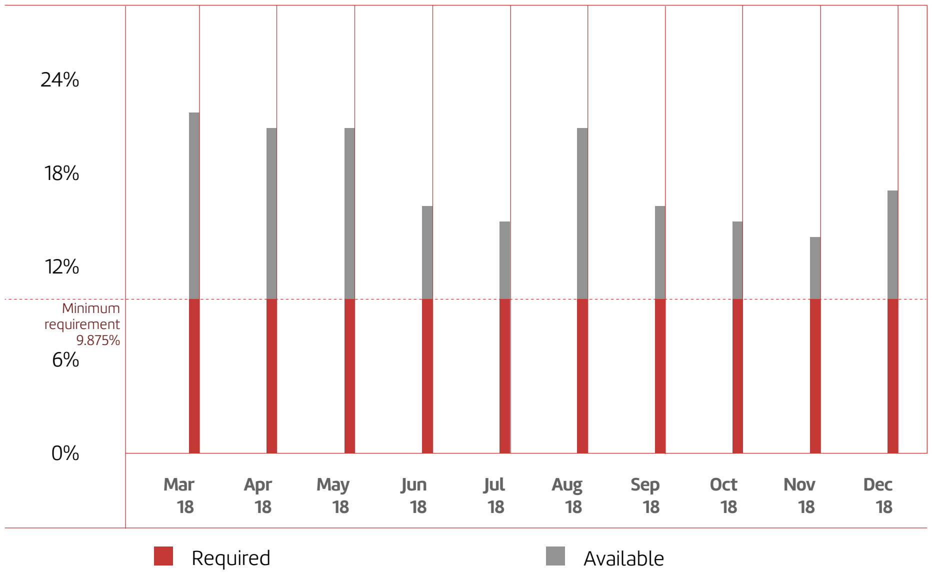
Regulatory capital requirements

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 1.875 percent, totalling 9.875 percent during 2018. The Capital Conservation buffer will further increase to 2.5 percent as per 1 January 2019 resulting in a total CRR requirement of 10.5 percent. 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 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.

Capital Requirement Regulation



Our Pillar III disclosures pursuant to CRR can be requested through our website www.flowtraders.com at of 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 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 Risk Management.

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;
- The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs and initial prognoses, it is justified that the financial reporting is prepared on a going concern basis; 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.

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.

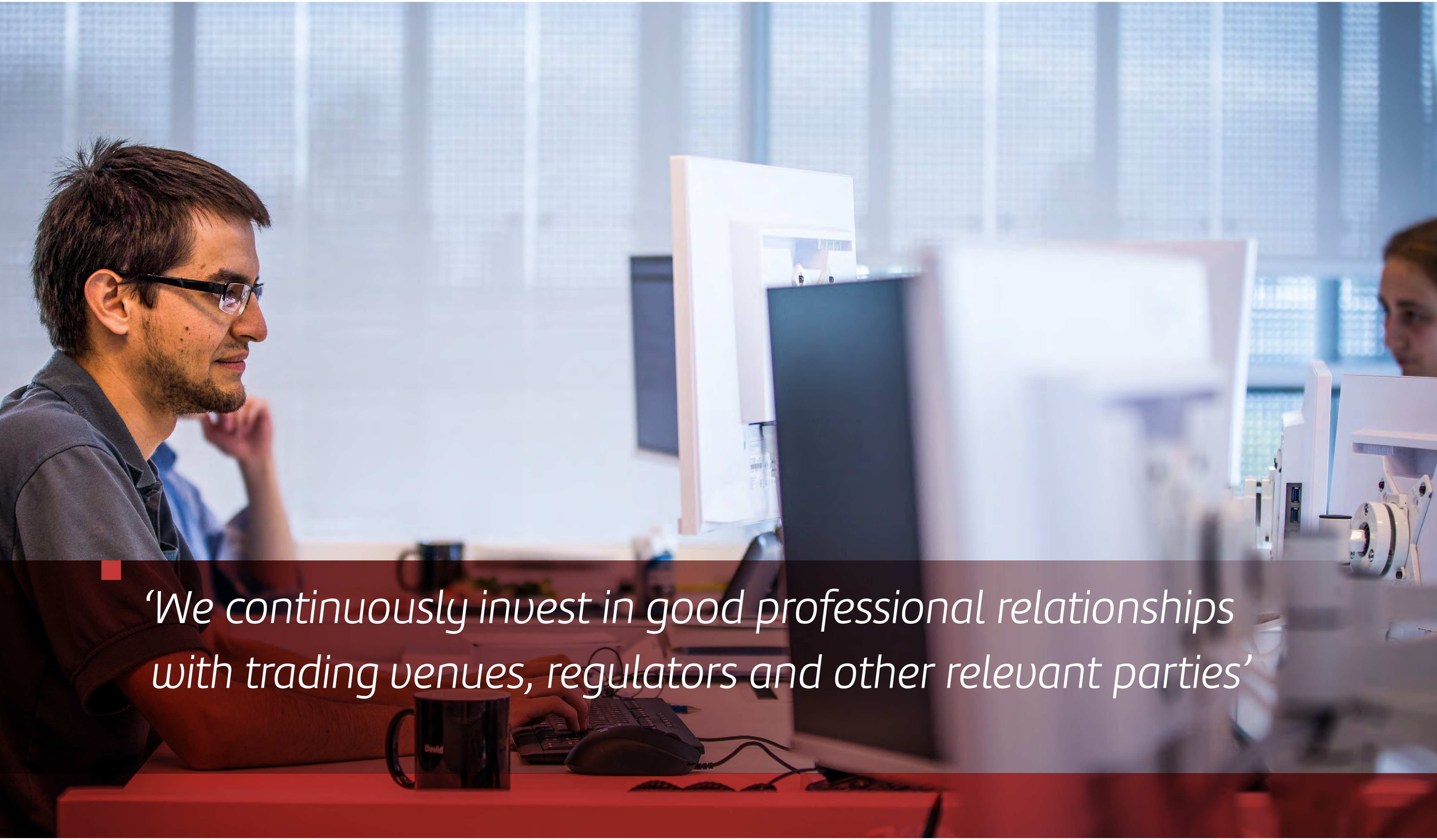
Statement by the Management Board

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 result 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 2018 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 2019

Management Board
Dennis Dijkstra, Co-CEO
Sjoerd Rietberg, Co-CEO
Folkert Joling, Chief Trading Officer
Thomas Wolff, Chief Technology Officer


‘We continuously invest in good professional relationships with trading venues, regulators and other relevant parties’

Our Supervisory Board

Eric Drok, Chairman
Gender: male **Age:** 58 (1960)
Nationality: Dutch
First term (2015 - 2019)

Eric was appointed Chairman of the Supervisory Board on 9 July 2015. His current term expires in 2019. 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., Lievense B.V., and The Greenery B.V., and he is a non-executive board member of Bison Bank in Portugal. Eric is also Operating Partner at HG-Capital in London.

Olivier Bisserier
Gender: male **Age:** 51 (1967)
Nationality: French
First term (2015 - 2019)

Olivier was appointed member of the Supervisory Board on 9 July 2015. His current term expires in 2019. He is Chairman of the Audit Committee, and serves on the Trading & Technology Committee and the Risk Committee. Until 31 March 2019 Olivier Bisserier is the 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:** 57 (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, and a partner at Gledhow Capital Partners.

Roger Hodenius
Gender: male **Age:** 46 (1972)
Nationality: Dutch
First term (2015 - 2019)

Roger was appointed member of the Supervisory Board on 9 July 2015. His current term expires in 2019. 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. Roger served on the Supervisory Board of ThinkCapital Holding B.V. between 2010 and 2012.

Jan van Kuijk, Vice-Chairman
Gender: male **Age:** 52 (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:** 41 (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: Acturis Limited, Darktrace Limited, Masternaut Group Holdings Limited, OnRobot A/S, Siteimprove A/S, Syncron International AB and Syncron A/S. 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.

Message of the Supervisory Board

Supervisory Board

Message of the Chairman

Over the course of 2018 the Supervisory Board focused on a range of topics that will help the company realize its ambitions, maintain its distinctive culture and create long-term value. These included the impact of the EU Capital Requirements Regulation (CRR), the company's growth strategy, succession planning for both the Management Board and the Supervisory Board, risks related to expansion into new markets and the company's financial results.

Company developments

The company had a strong year, taking advantage of periods of elevated volatility, while successfully embedding initiatives that were introduced in 2017. Flow Traders continued to increase the number of venues it is connected to and the products it provides liquidity in, including expanding into fixed income. At the same time, the company opened a branch office in London to further develop its position in the UK market, and received its local license in Hong Kong.

A review of 2018

During the year, the Supervisory Board discussed a range of topics at its regular meetings and within its four committees: The Audit Committee, Remuneration & Appointment Committee, Trading & Technology Committee, and the Risk Committee.

The company's strategy, which focuses on long-term value creation, was discussed at Supervisory Board meetings throughout the year. These discussions included the supervision of the strategy's implementation, as well as the impact and management of any risks related to it.

Regulatory changes were deliberated and monitored during the Supervisory Board's regular meetings. These included MiFID II, which the company successfully implemented in 2018, and which is aimed at creating greater financial stability and transparency. The Supervisory Board also supervised the company's compliance with CRR, which took place well before the 31 March 2018 deadline and confirms the company's solid capital base. Over the course of the year

‘The company had a strong year, taking advantage of periods of elevated volatility, while successfully embedding initiatives that were introduced in 2017’

the Supervisory Board also monitored the development of the company’s expansion into Fixed Income and discussed the importance of machine learning to help the company improve its trading models and reduce risk.

During its regular meetings, the Supervisory Board discussed succession planning for both the Management Board and the Supervisory Board. This included the expansion of the Management Board with the introduction of Folkert Joling as Chief Trading Officer and Thomas Wolff as Chief Technology Officer, as well as Co-CEO Sjoerd Rietberg’s decision not to opt for reappointment in 2019 and the departure of Chief Financial Officer Marcel Jongmans. The Supervisory Board believes that officially representing technology and trading at Management Board level will help strengthen the company as it continues to implement its organic growth strategy.

The company’s internal culture remains one of its key strengths, and the Supervisory Board continued to focus on how best to preserve this culture to support current and new employees. During the year, the company carried out a survey to better understand how employees feel about Flow Traders, whether they recognize and can relate to the culture, and if they feel they have the opportunity to express themselves and grow internally. The Supervisory Board discussed the survey’s outcomes, and concluded that ensuring that employees feel connected to the current culture is vital to our future prospects.

Looking ahead

As 2019 progresses, the Supervisory Board will continue to monitor the progression of the company’s strategy, its risk profile and any new regulatory developments, such as the EU Investment Firm Regulation (IFR) and accompanying EU Investment Firm Directive (IFD). The Supervisory Board will continue to evaluate the composition and functioning of the Management Board and oversee succession planning.

Regards,

Eric Drok
Chairman of the Supervisory Board

Supervisory Board Report

Meetings of the Supervisory Board

In 2018 the Supervisory Board members met eight times to hold formal Supervisory Board meetings and met several times without holding a formal Supervisory Board 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. In September 2018, 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 Remuneration.
- **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.
- **Capital Requirements**
  On 13 November 2017 the Dutch Central Bank (DNB) informed Flow Traders about its decision to amend capital requirements for investment firms dealing on own account. This also applied to Flow Traders, as of the first reporting date (31 March 2018). Progress in implementing the specific capital requirements was discussed during Supervisory Board meetings.
- **Brexit contingency planning**
  The Supervisory Board regularly discussed Brexit and the consequences of it, as well as implementing contingency measures at Flow Traders.
- **Succession planning and diversity**
  The terms of three Supervisory Board members expired in 2018. The terms of three other Supervisory Board members will expire in 2019, hence succession planning of the Supervisory Board formed an important topic of discussion during the Supervisory Board and Remuneration & Appointment Committee meetings.
  In light of the expiring term of Dennis Dijkstra and in view of the press release dated 13 September 2018 announcing Sjoerd Rietberg is not opting for reappointment in 2019 and the resignation of Marcel Jongmans as Chief Financial Officer, effective 8 December 2018, 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**
  Culture has always and will always form a very important role within Flow Traders. Culture has been regularly discussed during the Remuneration & Appointment Committee and the Supervisory Board meetings. During 2018, specific attention was paid to the Whistleblower Policy and the awareness of employees of Flow Traders of the Whistleblower Policy. Trainings on the Whistleblower Policy were given to all employees. The company's Code of Conduct was also discussed during the year.
- **New legislation and regulation**
  The Supervisory Board regularly discussed upcoming regulation, and new regulation that has to be implemented. This includes the revision of the European capital and remuneration requirements set out in the Investment Firm Regulation and Investment Firm Directive, which are currently being developed by EU legislators and govern new capital and remuneration requirements. The Supervisory Board also discussed the implementation of MiFID II and the impact on the market structure, and the company in particular.
  The Supervisory Board was also updated on developments regarding GDPR and remuneration 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. The Whistleblower Policy and the Code of Conduct have been reviewed, amended and re-adopted in 2018.
- **Industry-related updates**
  Relevant updates were provided by the heads of specific departments and external advisors.
- **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 Internal Audit Function**
  The recommendations of the Internal Audit Function have been discussed and followed up during 2018.
- **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 meetings were held at the company's offices in Amsterdam or via conference call.

	Supervisory Board	Audit Committee	Remuneration & Appointment Committee	Risk Committee	Trading & Technology Committee
Eric Drok	8/8	5/5	4/4	3/3	3/3
Olivier Bisserier	8/8	5/5	–	3/3	3/3
Rudolf Ferscha	8/8	–	4/4	3/3	3/3
Roger Hodenius	8/8	–	4/4	3/3	3/3
Jan van Kuijk	7/8	5/5	4/4	3/3	3/3
Han Sikkens	7/8	4/5	–	3/3	3/3

Evaluation of the Supervisory Board

The Supervisory Board discussed the outcome of the self-assessment of 2017, and the follow-up on conclusions of that self-assessment. As a result of the conclusions of the 2017 assessment, amongst other things this year a joint strategy offsite was organized for the Supervisory Board and the Management Board.

In 2018 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 2017, the Supervisory Board concluded that its overall functioning has improved. 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. Other positions of Supervisory Board members were also reviewed as part of the self-assessment.

The Supervisory Board's self-assessment includes an independence-assessment. The independence assessment in 2018 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 Management Board is discussed at least two times a year between two Supervisory Board members. 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 and the strategic project goals set for 2018. 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.

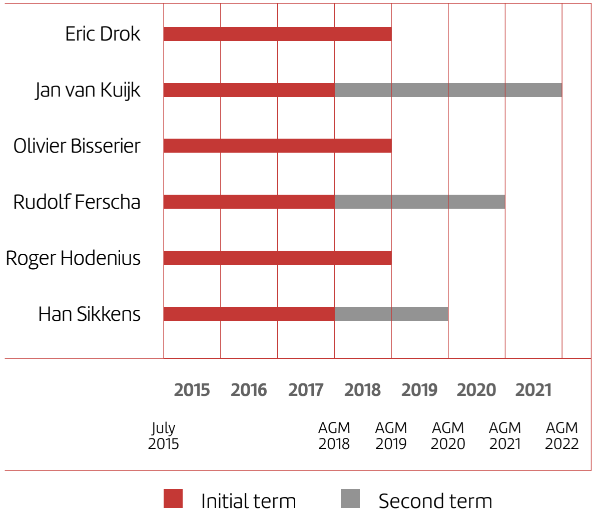
Equal Opportunity Policy (Diversity Policy)

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

In 2018, Thomas Wolff and Folkert Joling were appointed as Management Board members. As announced in the press release, dated 13 September 2018, Sjoerd Rietberg has taken the decision not to opt for reappointment as Management Board member and Co-CEO in 2019. In the company's press release issued on 7 December 2018, it was announced that Dennis Dijkstra is proposed for reappointment as sole CEO of Flow Traders N.V. at the upcoming AGM in 2019 and that Marcel Jongmans has resigned as Management Board member and CFO. The full size and composition of the Management Board was discussed regularly during 2018. Our Equal Opportunity Policy was an important topic during these discussions. Han Sikkens, Rudolf Ferscha and Jan van Kuijk were reappointed as member of the Supervisory Board in 2018. The figure below shows the terms of (re) appointment for all Supervisory Board members. The Equal Opportunity Policy was taken into account regarding the appointments of the two Management Board members and the reappointments of the 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. Jan van Kuijk and Roger Hodenius do not qualify as independent under the provisions of the Corporate Governance Code as they, as our founders, are former members of the company's Management Board and represent shareholders of the company, Han Sikkens is considered an independent Supervisory Board member as of 2017.

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:

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

'Our strategies are designed to use information that is publicly available.'

The committees report to the Supervisory Board by sharing their advice and recommendations during the Supervisory Board meetings and by circulating the minutes of the meetings or reports. All meetings were held at the company's offices in Amsterdam.

Audit Committee

The Audit Committee met five times in 2018. Other attendees included one of the Co-CEOs, the CFO, the Global Co-Head of Tax & 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 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. Topics discussed with the external auditor included their unqualified interim review report, their audit plan for the financial year 2018 and recommendations on the basis of the annual report and the financial statements over the financial year 2017. 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 of the Audit Committee meetings held in 2018. Based on the information provided by the Audit Committee, the Supervisory Board nominated EY as external auditor at the company's General Meeting in 2018. Subsequently, EY was reappointed by the General Meeting as external auditor for the financial year 2018.

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, corporate governance, third parties, contracts, finance and capital requirements. The IAF performed a number of specific reviews at the request of the Management Board and the Audit Committee. 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 four times in 2018. All meetings were fully attended. Other attendees to the meetings included the Management Board 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 2018, with each meeting fully attended. 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 2018, 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, and the Capital Requirement Regulation was also a topic of discussion. More information can be found in the chapter Our Risk Management.

Financial statements and dividend

The 2018 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 117 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 2018;
- 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.

Remuneration report

The General Remuneration Policy was approved and adopted in 2016 and has been reviewed by the Remuneration & Appointment Committee from time to time to ensure it remains relevant and is suited 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 of the Management Board consists of a relatively modest fixed base salary and a variable compensation in cash. The awarding of variable remuneration to the members of the Management Board – as well as to all employees – is entirely dependent on the company's profit in any given year. In that sense, our General Remuneration Policy works as a risk-mitigating tool and a self-correcting mechanism. If there is no profit, no variable remuneration will be awarded. If there is profit, variable remuneration is available for all employees and the Management Board. The net variable remuneration historically amounts to 36 percent of our operating result and the above-mentioned guidelines continue to apply going forward. If the company incurs a loss, deferred variable remuneration is reduced or forfeited entirely.

In accordance with the global remuneration model in place for all employees, the members of the Management Board are entitled to annual variable compensation based on performance in respect of individual criteria and their contribution to the success of the company as whole. These criteria reflect quantitative and qualitative criteria related to non-financial performance. Variable remuneration, if awarded, is paid in cash in multiple instalments, providing a strong incentive for long-term value creation. Instalments may be reduced or clawed back under circumstances described in the Remuneration Act, Dutch corporate law and the Corporate Governance Code. Please see the section on the Remuneration of the members of the Management Board in the chapter Remuneration for a more detailed description.

In 2018, the total average compensation of the individual Management Board members amounted to €2,476,336 compared to the company-wide average compensation (excluding the Management Board) paid per employee of €251,700 resulting in a pay ratio of 10.9 (2017: 3.5). The pay ratio has changed significantly compared to last year. This can be explained by the company's financial results as last year management's variable compensation decreased significantly because of the company's profitability in 2017. When making the same comparison of the Co-CEO compensation rather than the full Management Board compensation, the pay ratio would be 12.0 (2017: 3.5).

The average compensation of the Board Members is calculated by dividing the total of their fixed based salaries and variable remuneration by the number of FTEs (five). The company-wide average is calculated in similar fashion by adding up fixed salaries and variable remuneration and dividing by the number of FTEs (436). Due to the nature of our business activities and the compensation structure of the Management Board, the Supervisory Board tracks the actual performance of the Management Board members and eligibility for variable remuneration throughout the year, with half-yearly discussions taking place to facilitate this. Please see the section on Analyses carried out in respect of variable remuneration in the chapter on Remuneration for a more detailed description.

No current or former Management Board member received a severance payment in 2018.

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 2019

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

ARNOUT TILGENKAMP

Interview

In one paragraph: What is machine learning?
'Machine learning is certain branches coming together: Mathematics, statistics, optimization, tech, data and computing. Our job is to create algorithms that can be used to develop a mathematical model, and we then give this model a task to do. The goal is that the machine learning algorithm will 'learn' to do the task better and better, creating more accurate results.'

Is this new technology?
'It is only over the last ten years that we have had the computing power, the data and the ability to disprove certain theoretical issues associated with machine learning, which we were unable to in the past, that has led us to where we are today.'

What is a machine learning example that everyone will recognize?
'The two best examples are self-driving cars and the automated ads on your smartphone. In self-driving cars, the machine learning algorithms process the huge amount of data that comes in from the car's cameras, infrared sensors, gyroscopes, accelerometers, GPS receivers, and so on. They process this data to understand the car's surrounding environment and they then suggest an action such as 'steer 20 degrees left'. They learn as they progress, recognizing what works and what does not work.

Then we have online advertising algorithms, where everything you do on the web is being analyzed: Purchases, websites you visited, clicking behavior and so on. The data can be gathered by those infamous cookies, and this fuels machine learning methods to predict your behavior and to optimize their consumer-targeting strategy.'

How is machine learning affecting Flow Traders today?
'We trade over ten thousand of products at Flow Traders, which means we deal with a huge amount of information. Add to that the fact that markets are becoming faster, with many millions of updates per day, and the result is we have to process an enormous amount of data.

One of the ways we use machine learning algorithms is to analyze this avalanche of information. After we tell it what to do, it sets various parameters to come up with the best solution.

For example, you have algorithms that predict future prices, provide advice on whether to buy or sell, as well as fully automated algorithms that manage the entire trading software.'

>>

'People have a tendency to retain control, and that's a behavioral bias we will have to let go of'

>>And how will it impact the company in the coming three to five years?
'It will lead to greater automation, especially in trading and quantitative research. For example, many traders have programming in their skill set, and this is becoming the new norm. In a few years I think it will be strange if you come across newly joining traders who don't have such skills. In terms of how the models are built, I think at Flow Traders an ever-important aspect will be the risk associated with automated trading.'

What interests you about machine learning?
'I love two things: automation, where I can create a system that works. And I love it when that system beats humans.
For example, when I play games I look for ways to optimize processes and create a system that will win. Like many people in my field, I'm driven by using quantitative methods to solve problems and create answers.'

Looking beyond five years, what future do you see for machine learning?
'While I think there will be greater use of machine learning across society, how much it is used will depend on how much control people are willing to give up to machines. People have a tendency to retain control, and that's a behavioral bias we will have to let go of. But I think we'll see more autonomous car driving, and probably far more applications in places where it is not always obvious: in advertising, grocery shopping, your communications, buying tickets for concerts and so on. It is here to stay.' ■

Who >>

Name: *Arnout Tilgenkamp*

Position: *Head of Quantitative Research*

Specialism: *Machine learning*

Background: *Arnout has an MSc in Econometrics and Management Science from Erasmus University, Rotterdam. Prior to Flow Traders, he worked as a Quantitative (Equity) Analyst at ING Investment Management.*

Remuneration

We want to attract and retain the best talent available. We believe that awarding an attractive and competitive remuneration package is an important part of our proposition to candidates and employees. Therefore, we offer our employees a combination of fixed and variable pay. We share a single, firm-wide variable remuneration pool and people are awarded a share of that pool based on their performance. No variable remuneration is awarded if there is no or insufficient profit or capital.

Introduction

We not only create transparency in the financial markets, we also firmly believe in being transparent as a company. Our global remuneration model provides for a detailed and transparent awarding procedure with appropriate checks and balances and publication requirements. The company has discussed the company's remuneration model with regulators, legislators, major shareholder representatives and shareholder representative bodies and is continuously improving the remuneration model.

Key principles and policy

Our global remuneration model reflects our key principles achieved through the practical implementation of the 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.

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 during mid-year and year-end staff appraisals.
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 2018.
No employee loans, guarantees or the like were outstanding on 31 December 2018. 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 2018 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. Both Thomas Wolff and Folkert Joling participated in the 2017 plan, before becoming Management Board members. They will receive the cash incentive over the shares bought in 2018. They are not eligible to participate in the 2018 FCIP.

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.

Remuneration of the members of the Management Board

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 2018.

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. The ratio between fixed and variable pay - that is skewed towards variable pay - also serves as a tool to protect the sustainability of the company. It keeps costs low in less profitable years and allows these remuneration costs only to increase in good years. Moreover, "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. The table below shows the total remuneration awarded to the individual members of the Management Board over 2018.

Fixed remuneration

All members of the Management Board were awarded a gross fixed base salary of €94,608 over 2018.

'One of our core values is ownership, and we mean it both in terms of mindset and behavior as well as literally'

	Dennis Dijkstra, Co-CEO	Sjoerd Rietberg, Co-CEO	Marcel Jongmans CFO (until 7 December 2018)	Folkert Joling, Chief Trading Officer	Thomas Wolff Chief Technology Officer
Gross fixed base salary[1]	€94,608	€94,608	€94,608	€94,608	€94,608
Variable remuneration for 2018, to be paid out in instalments (see Adjustments to variable remuneration below)	€2,920,540	€2,920,540	€1,200,000	€2,870,540	€1,997,020
Total	**€3,015,148**	**€3,015,148**	**€1,294,608**	**€2,965,148**	**€2,091,628**

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

Variable remuneration

Based on actual performance over 2018, all members of the Management Board combined received an aggregate variable compensation of €11,908,640. 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 36 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. Each year the Supervisory Board sets targets for the following performance elements, which are assessed annually, in order to determine management's performance and variable remuneration:

Growth

- Strengthen the team
- Grow Institutional Trading
- Increase product venue coverage
- Open Hong Kong office and London branch office
- Expand into other asset classes/diversification

External Relationships

- Expand the number of prime brokers
- 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 technical infrastructure
- Expand analyst capacity
- Increase overall capital efficiency
- Optimize exposure management

People & Culture

- Launch second edition of employee share plan
- Further expand Flow Academy
- Stimulate rotation across offices
- Create and maintain a positive and challenging environment for employees

Adjustments to variable remuneration

Variable remuneration to members of the Management Board is paid in cash in multiple 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.

Market positioning

We believe our Management Board remuneration to be competitive within in our reference market. Our reference market is other proprietary trading firms including but not limited to for example IMC and Optiver. Notably, most of our reference firms do not publicly disclose remuneration of their executives. When comparing to executives of Dutch mid-cap listed companies, our Management Board remuneration is above average in years with strong financial results and relatively low in years with lower results. The variable remuneration component is not determined beforehand with minimums and maximums because it is strongly correlated with actually realized results by way of profit sharing. This is as designed and further explained in chapter Remuneration. This is the same for all employees within the company.

Our pay ratio (the relationship between executive remuneration levels and those of employees) is low, compared to other companies listed on the AEX, AMX and AScX.

No shares, pensions, loans and other benefits

In 2018 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 2018. 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.

Remuneration of the members of the Supervisory Board

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 2018, 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 2018.

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.

	Fixed compen-sation per annum 2018	Fixed compen-sation 2017
Eric Drok	€75,000	€75,000
Jan van Kuijk	€50,000	€50,000
Olivier Bisserier	€50,000	€50,000
Rudolf Ferscha	€50,000	€50,000
Roger Hodenius	€50,000	€50,000
Han Sikkens	€50,000	€50,000

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.

'Ensure continuous compliance with rules and regulations and maintain positive relationships with regulators'

Remuneration disclosures

In 2018, the total amount of variable remuneration awarded to all employees including members of the Management Board was €87.6 million (2017: €25.2 million).

In 2018, companywide average compensation paid per employee was approximately €277,900, while variable remuneration amounted to around 73 percent of total compensation in 2018. In 2018, 29 employees, including the Management Board, were awarded remuneration of €1 million or more (2017: 0). These employees mainly work in the trading department of the company.

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

Remuneration regulations are subject to change. Currently, the European Commission, European Parliament and European member states are negotiating new capital and remuneration requirements (IFR/IFD) which may affect our Dutch trading entity and our Group. We expect more certainty about the outcome in the next few months. Meanwhile, the remuneration rules in the Netherlands are in the process of being reviewed. We 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.

'Create and maintain a positive and challenging environment for employees'

Our 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

General

As at 31 December 2018, our Management Board consists of two Co-Chief Executive Officers (Dennis Dijkstra and Sjoerd Rietberg), the Chief Technology Officer (Thomas Wolff) and the Chief Trading Officer (Folkert Joling). Two of them 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. Decisions are thus 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 the 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.

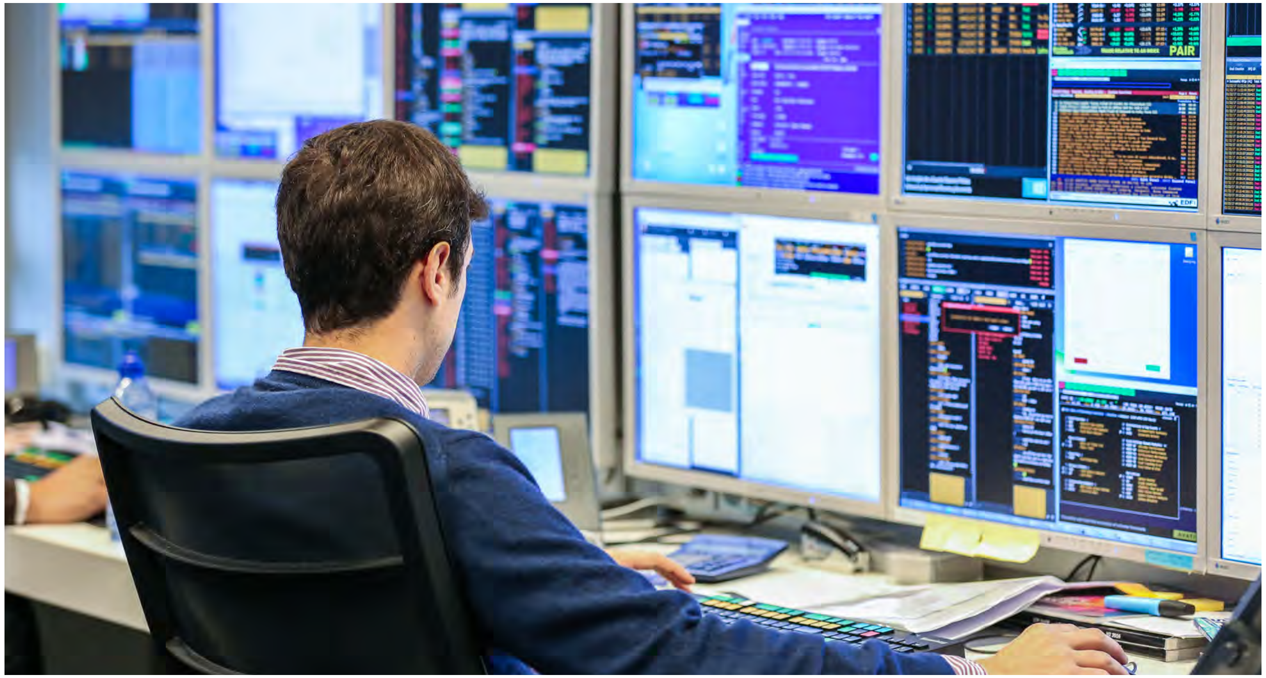
Supervisory Board

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 2018, 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 2018 AGM, Jan van Kuijk was reappointed for a second term of four years, Rudolf Ferscha was appointed for a second term of three years and Han Sikkens was reappointed for a second term of two years. For more information, please refer to the chapter Our 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 maximum 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. Supervisory Board members are appointed for a maximum term of four years, the entire service is a maximum of 12 years.

'The Supervisory Board supervises the company's focus on long-term value creation'

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 a Remuneration & Appointment Committee, Audit 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.

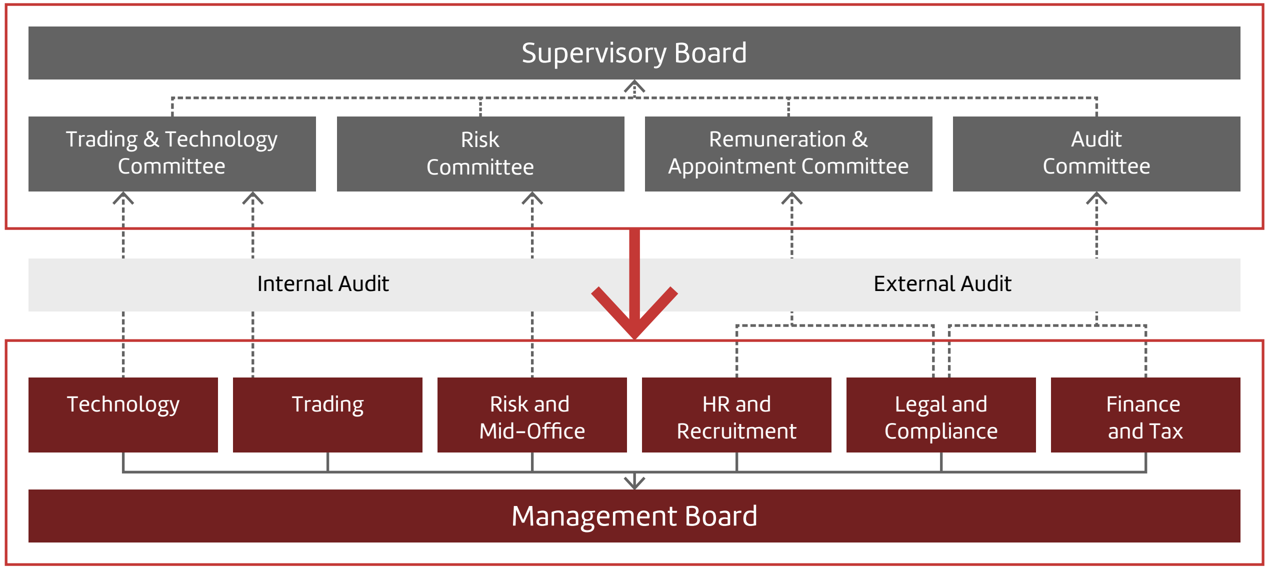
Audit Committee

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, one of the Global Co-Heads of Tax & 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.

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.

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.

General Meetings can be held as often as the Management Board or the Supervisory Board deem necessary. An AGM 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. 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 26 April 2018 in Amsterdam, the Netherlands, shareholders voted in favor of adopting the annual accounts, determining the total dividend at €0.65 per share, discharging members of the Management Board and Supervisory Board from liability, appointment of two additional Management Board members and reappointment of three current 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 (see below) and reappointing EY as our external auditor. The General Meeting and Management Board discussed the results, dividend policy, the remuneration and governance structure of the company.

Extraordinary General Meetings 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 2018. Our next AGM is scheduled to be held on 8 May, 2019, 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 AGM held on 26 April 2018, 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 26 October 2019 for up to ten percent of the total number of shares issued at the time of the General Meeting 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 26 October 2019.

At our next AGM, scheduled to be held on 8 May 2019, 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 AGM held on 26 April 2018, 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 26 October 2019, 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 such shares under the authority granted by the General Meeting over the course of 2017 and 2018.

At the 2019 AGM the Management Board will propose to the General Meeting to renew its authorization to repurchase shares in the company. Furthermore, at the 2019 AGM the Management Board intends to propose to the General Meeting to 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.

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 2018). 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.

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 2018		Filing date
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
Jupiter Asset Management Ltd.	3.23%	16 August 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 integrity

Compliance and integrity

Flow Traders commits to being in compliance with all relevant laws and regulations that apply to it, anywhere, including in respect of tax, anti-bribery, anti-corruption and anti-money laundering laws. Integrity and transparency is central to the way we operate 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. Please refer to the chapter Flow Traders and Society for more details on our anti-bribery, anti-corruption and anti-money laundering policies, our Code of Conduct, our Whistleblower Policy, our Gift Policy and Tax Principles.

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 Co-CEO responsible for the Internal Audit Function. 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 us, 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:

- **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. Deviation from this provision is likely to continue until further notice.
- **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.
- **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.
- **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 were set on diversity. 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.

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 Risk Management, Supervisory Board Report, and Our Governance:

- 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 Risk Management;
- 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 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).

Compliance with article 2:166 of the Dutch Civil Code

Article 2:166 of the Dutch Civil Code states that the seats in the Management Board and the Supervisory Board should contain at least 30 percent female and 30 percent male members. At Flow Traders, this is currently not the case.
We believe in the drive to excel every day, and performing at the highest level possible, throughout all levels of our organization. To achieve this we seek to recruit, retain and promote the best talent, regardless of, inter alia, age, education, ethnicity, gender, nationality, professional background, religious faith or sexual orientation.
Our selection is based on relevant education, professional experience and the competencies required. The persons fulfilling their roles in the Management Board and, respectively, the Supervisory Board, are in our opinion the best fit for their roles.

'Our success is driven by a combination of smart trading strategies, state-of-the-art proprietary technology and prudent risk management'

Financial Statements

79 Consolidated Financial Statements

111 Company Financial Statements

116 Other Information

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *In thousands of euro*

	Note	At 31 December 2018	At 31 December 2017
Assets			
Cash and cash equivalents	14	10,054	5,879
Financial assets held for trading	15	3,676,807	3,738,649
Trading receivables	16	3,039,875	2,126,594
Other receivables	17	13,927	10,302
Investments fair value through OCI	18	1,267	1,475
Investments in associates	19	357	571
Property and equipment	20	28,905	27,325
Intangible assets	21	1,281	1,506
Current tax assets	13	4,699	4,698
Deferred tax assets	13	3,001	1,941
Assets held for sale	22	–	816
Total assets		**6,780,173**	**5,919,756**
Liabilities			
Financial liabilities held for trading	23	2,601,529	961,180
Trading payables	24	3,700,555	4,638,107
Other liabilities	25	125,963	65,178
Current tax liabilities	13	9,857	318
Deferred tax liabilities	13	1,218	872
Total liabilities		**6,439,122**	**5,665,655**
Equity	26		
Share capital		4,653	4,653
Share premium		154,509	152,456
Retained earnings		167,734	86,667
Currency translation reserve		14,663	10,611
Fair value reserve		(508)	(286)
Total equity		**341,051**	**254,101**
Total equity and liabilities		**6,780,173**	**5,919,756**

The notes on pages 84 to 110 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*

	Note	2018	2017
			For the year ended
Gross trading income		508,916	282,314
Fees related to the trading activities		69,146	59,177
Net financial expenses related to the trading activities		56,329	57,184
Net trading income	10	**383,441**	**165,953**
Employee expenses	11	128,961	57,393
Depreciation of property and equipment	20	8,651	6,807
Amortization of intangible assets	21	386	368
Impairment of tangible and intangible assets	20/21	295	540
Other expenses	12	54,644	52,517
Operating expenses		**192,937**	**117,625**
Operating result		**190,504**	**48,328**
Result on equity-accounted investees	19	3,436	107
Profit before tax		**193,940**	**48,435**
Tax expense	13	33,007	8,840
Profit for the period		**160,933**	**39,595**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign currency translation differences - foreign operations	26	4,052	(8,922)
Items not reclassified to profit or loss			
Changes in fair value through OCI		(222)	152
Other comprehensive income for the year (net of tax)		**3,830**	**(8,770)**
Total comprehensive income for the year		**164,763**	**30,825**
Earnings per share			
Basic and fully diluted earnings per share		3.46	0.85

The notes on pages 84 to 110 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 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**

	Share capital	Share premium	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2017	4,653	152,456	19,533	(438)	93,887	270,091
Profit	–	–	–	–	39,595	39,595
Total other comprehensive income	–	–	(8,922)	152	–	(8,770)
Reclassification currency translation reserve	–	–	–	–	–	–
Total comprehensive income for the period	**–**	**–**	**(8,915)**	**152**	**39,595**	**30,876**
Transactions with owners of the Company						
Share premium	–	–	–	–	–	–
Dividends declared	–	–	–	–	(46,534)	(46,534)
Treasury shares	–	–	–	–	(281)	(281)
Total transactions with owners of the company	**–**	**–**	**–**	**–**	**(46,815)**	**(46,815)**
Balance at 31 December 2017	**4,653**	**152,456**	**10,611**	**(286)**	**86,667**	**254,101**

The notes on pages 84 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

	For the year ended 2018	2017
Cash flows from operating activities		
Profit for the period	**160,933**	**39,595**
Adjusted for:		
Depreciation of property and equipment	8,651	6,807
Amortization of intangible assets	386	368
Impairment of tangible and intangible assets	295	540
Result on equity-accounted investees (net of tax)	(3,436)	(107)
Tax expense	33,007	8,840
Changes in working capital		
■ Financial assets held for trading	31,294	873,121
■ Trading receivables	(908,093)	(999,220)
■ Other receivables	(3,625)	2,005
■ Financial liabilities held for trading	1,644,836	(1,318,212)
■ Trading payables	(916,679)	1,518,895
■ Other liabilities	58,775	(45,672)
■ Corporate income tax paid	(24,183)	(15,815)
■ Other	4,208	(8,137)
Cash flows from operating activities	**86,369**	**63,008**
Cash flows from investing activities		
Sale of investments available for sale	3,522	-
Acquisition of property and equipment	(7,405)	(12,252)
Acquisition of intangible assets	(166)	(321)
Cash flows from investing activities	**(4,048)**	**(13,573)**

CONSOLIDATED STATEMENT OF CASH FLOWS *In thousands of euro*

	For the year ended 2018	2017
Cash flows from financing activities		
Dividends paid	(78,970)	(46,526)
Capital contributions	2,053	-
Treasury shares	(1,435)	(590)
Cash flows from financing activities	**(78,352)**	**(47,116)**
Effect of movements in exchange rates on cash and cash equivalents	207	(176)
Change in cash and cash equivalents	**4,175**	**3,143**
Changes in cash and cash equivalents		
Cash and cash equivalents at opening	5,879	2,736
Cash and cash equivalents at close	10,054	5,879
Changes in cash and cash equivalents	**4,175**	**3,143**

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 2018 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 2019 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. Movements to the extent that those have not resulted in cash flows are eliminated.

e) Restatement of 2017 numbers

The Group applied IFRS 9 retrospectively, however there was a limited impact on the figures. If the figures are restated this will be mentioned separately in the related table of the report.

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

f) 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.

Any contingent consideration payable is measured at fair value at the acquisition date. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

g) 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.

h) 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.

i) 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.

j) 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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

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.

k) 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.

l) Leased assets

Leases in which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position.

m) 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 by reclassifying the losses accumulated in the fair value reserve from equity to profit or loss. The loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less of impairment loss recognized previously in profit or loss.

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.

n) 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.

o) 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.

p) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease as lease expenses.

q) 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.

r) 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.

s) 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.

t) 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 in Europe (the Netherlands, Romania), the Americas (the United States of America) and Asia (Singapore and Hong Kong). In 2018 a branch office in London was opened.

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 2018

	Europe	Americas	Asia	Total
Gross trading income	218,301	236,051	54,564	503,749
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	51,162
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**

SEGMENT REPORTING — For the year ended 2017

	Europe	Americas	Asia	Total
Gross trading income	177,587	76,502	28,225	282,314
Fees related to the trading activities	32,930	20,795	5,452	59,177
Net financial expenses related to the trading activities	29,989	21,657	5,538	57,184
Net trading income	**114,668**	**34,050**	**17,235**	**165,953**
Intercompany recharge	3,602	-	-	3,602
Total revenue	**118,270**	**34,050**	**17,235**	**169,555**
Employee expenses	36,736	12,844	7,813	57,393
Depreciation of property and equipment	4,237	1,703	867	6,807
Amortization of intangible assets	302	28	38	368
Impairment of (in) tangible assets	1	518	21	540
Intercompany recharge	-	1,779	1,823	3,602
Other expenses	24,850	19,984	7,683	52,517
Operating expenses	**66,126**	**36,856**	**18,245**	**121,227**
Operating result	**52,144**	**(2,806)**	**(1,010)**	**48,328**
Result/(impairment) of equity-accounted investees	13	94	-	107
Profit before tax	**52,157**	**(2,712)**	**(1,010)**	**48,435**
Tax expense	8,911	171	(242)	8,840
Profit for the period	**43,246**	**(2,883)**	**(768)**	**39,595**
Assets	**226,853**	**55,933**	**37,684**	**320,470**
Capital expenditure	6,370	5,845	3,217	15,432
Liabilities	**40,093**	**18,519**	**7,757**	**66,369**

6. *New standards and interpretations*

IFRS 9 Financial instruments

The Group applied IFRS 9 Recognition and Measurement for the first time. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Assets previously classified as investments available for sale are now classified as investments fair value through OCI.

The trading portfolio is valued at fair value through profit and loss.

IFRS 15 Revenue from contract with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, permitting early adoption. Given the nature of the Group's operations there is no impact on the reported figures.

7. *New standards and interpretations not yet adopted*

IFRS 16 Leases

The IASB issued the new standard for accounting for leases – IFRS 16 Leases. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16, as the amount of the operational leases outstanding are limited and in the short term the impact is expected to be immaterial.

Other new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

8. *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 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**

At 31 December 2017	Level 1	Level 2	Level 3	Total
Long positions in cash market products	371,712	3,366,149	–	3,737,861
Mark to market derivatives assets	–	788	–	788
Financial assets held for trading	**371,712**	**3,366,937**	**–**	**3,738,649**
Trading receivables	2,125,594	–	–	2,125,594
Investments fair value through OCI	–	1,475	–	1,475
Total long positions	**2,444,306**	**3,368,412**	**–**	**5,812,718**
Short positions in cash market products	61,021	900,159	–	961,180
Mark to market derivatives liabilities	–	–	–	–
Financial liabilities held for trading	**61,021**	**900,159**	**–**	**961,180**
Trading payables	4,638,107	–	–	4,638,107
Total short positions	**4,699,128**	**900,159**	**–**	**5,599,287**

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 2018 was a borrowing of USD152,500,000 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:

	Notional amount (US$000)	Carrying amount (€000)	Change in fair value used for measuring ineffectiveness for the period (€000)
Foreign currency denominated borrowing	152,500	133,403	3,228

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

	Change in fair value used for measuring ineffectiveness (€000)	Foreign currency translation reserve (€000)
Net investment in foreign subsidiaries	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.

9. *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 2018	2017
Profit for the year	160,933	39,595
Profit attributable to ordinary shareholders	**160,933**	**39,595**
Weighted average number of ordinary shares for basic EPS[1]	46,448,052	46,534,500
Issued ordinary shares	**46,448,052**	**46,534,500**
Basic and fully diluted earnings per share	**3.46**	**0.85**

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

10. *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.

11. *Employee expenses*

	For the year ended 2018	2017
Wages and salaries	26,069	23,175
Variable compensation	92,863	25,188
Social security charges	3,048	2,650
Recruitment and other employment costs	6,981	6,380
Employee expenses	**128,961**	**57,393**

The wages and salaries increased in line with the FTE development from 394 as per 31 December 2017 to 436 as per 31 December 2018. Overall employee expenses increased by 125% as a result of the strong increase in variable compensation paid to employees.
The amount of variable compensation payable is based on the operational profit of the company.

12. *Other expenses*

	For the year ended 2018	2017
Technology	35,371	37,288
Housing	7,199	4,147
Advisors and assurance	1,810	1,689
Regulatory costs	2,031	1,319
Fixed exchange costs	4,624	4,580
Travel expenses	2,309	2,033
Various expenses	1,300	1,461
Other expenses	**54,644**	**52,517**

Despite slight decrease in technology expenses we are still focusing on continuous improvements and growth of our infrastructure. Increase in housing is expenses due to new offices in New York, Hong Kong and further expansion in Amsterdam. Regulatory expenses increased due to overall growth of regulatory requirements and the costs to comply.

13. *Taxation*

Current tax expenses

	For the year ended 2018	2017
Tax recognized in profit or loss		
Current tax expense	33,916	5,277
Movement of deferred tax asset	(1,060)	3,651
Movement of deferred tax liability	346	599
Prior years' adjustments	(195)	(687)
Tax expense excluding share of tax of equity-accounted investees	**33,007**	**8,840**

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 2018	2017
Profit before tax	193,940	48,435
Dutch income tax rate	25%	25%
Income tax expected	48,485	12,109
Actual income tax charge	33,007	8,840
In percentage	17.0%	18.3%
Difference in tax expense	**(8.0%)**	**(6.7%)**

RECONCILIATION OF EFFECTIVE TAX RATE

For the year ended	2018 (€)	2018	2017 (€)	2017
Dutch tax rate	**48,485**	**25%**	**12,109**	**25%**
Different weighted average statutory rate of group	(1,715)	(0.9%)	(202)	(0.4%)
Income (partly) exempted	(13,564)	(7.0%)	(3,539)	(7.3%)
Other (non) deductible costs	(199)	(0.1%)	472	1.0%
Subtotal	**(15,825)**	**(8.0%)**	**(3,269)**	**(6.7%)**
Effective tax rate	**33,007**	**17.0%**	**8,840**	**18.3%**

No tax was recognized in other comprehensive income in 2018 and 2017.

Current tax assets and liabilities

	At 31 December 2018	2017
Assets		
Europe (the Netherlands)	30	16
Americas (US)	4,447	4,542
Asia (Singapore)	222	140
Total current tax assets	**4,699**	**4,698**
Liabilities		
Europe (the Netherlands)	9,073	298
Americas (US)	265	1
Asia (Singapore and Hong Kong)	519	19
Total current tax liabilities	**9,857**	**318**

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 2018	2017
Assets		
Other liabilities	3,001	1,941
Liabilities		
Property and equipment	1,218	872
Net asset/(liability)	**1,783**	**1,069**

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. The movement of the deferred tax asset is driven by the US tax reform and subsequent reduction of the corporate tax rate in the US.

14. *Cash and cash equivalents*

	At 31 December 2018	2017
Europe	3,618	1,018
Americas	1,390	1,666
Asia	5,046	3,195
Total cash and cash equivalents	**10,054**	**5,879**

Cash and cash equivalents include a bank guarantee of €285,256 for office rent (2017: €285,256). The other cash and cash equivalents are available on demand.

15. *Financial assets held for trading*

	At 31 December 2018	2017
Cash market products	3,662,516	3,737,861
Derivatives	14,291	788
Total financial assets held for trading	**3,676,807**	**3,738,649**

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.

16. *Trading receivables*

	At 31 December 2018	2017
Receivables for securities sold	3,039,875	2,126,594
Total trading receivables	**3,039,875**	**2,126,594**

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. The amount receivable is based on the net unsettled amount per clearing institution. Trade receivables are valued at fair value.

Please also refer to note 15 for a better understanding of these positions and what they consist of.

17. *Other receivables*

	At 31 December	
	2018	**2017**
Prepayments	4,411	4,621
Dividend withholding tax	2,155	2,457
Security deposits	1,834	1,893
Other	5,526	1,331
Total other receivables	**13,926**	**10,302**

All receivables have a maturity of less than 1 year.

18. *Investments fair value through OCI*

	At 31 December	
	2018	**2017**
Net book amount 1 January	1,475	4,640
Acquisitions / (divestments)	-	(3,120)
Price movements	(269)	487
Currency movements	61	(532)
Total investments fair value through OCI	**1,267**	**1,475**

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.

Divestments in Investments fair value through OCI relates to the sale of shares needed for the member seats.

19. *Investments in associates*

	At 31 December	
	2018	**2017**
Net book amount 1 January	571	1,343
Investments	-	-
Reclassification Think ETF Asset Management	-	(816)
Share of result of subsidiary	(51)	107
Cash distribution	(140)	-
Currency movements	12	(63)
Total investments in associates	**357**	**571**

Investments in associates is the Group's 24% ownership in Think ETF Asset Management B.V. (previously ThinkCapital Holding B.V.). and a 10% ownership in Pick Two LLC, a joint venture entity.

Think ETF Asset Management, which was reclassified to Assets Held for Sale, was sold early January 2018 and closed at 29 June 2018.

The Group holds Joint Back Office Clearing agreements with three prime brokers for a total amount of € 57 thousand in their preferred shares.

In 2018 the Group received a €140 thousand cash distribution from its investments in associates (2017: nil).

20. *Property and equipment*

	Hardware	Office fixtures	Total
Cost			
Balance at 1 January 2017	**18,706**	**13,874**	**32,580**
Additions	9,266	4,831	14,097
Disposals	(1,784)	(1,048)	(2,832)
Exchange rate differences	(1,018)	(478)	(1,496)
Balance at 31 December 2017	**25,170**	**17,179**	**42,349**
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**
Depreciation and impairment losses			
Balance at 1 January 2017	**6,942**	**4,040**	**10,982**
Depreciation for the year	3,993	2,814	6,807
Disposals	(1,484)	(767)	(2,251)
Exchange rate differences	(413)	(101)	(514)
Balance at 31 December 2017	**9,038**	**5,986**	**15,024**
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**
Carrying amounts			
At 1 January 2017	11,764	9,834	21,598
At 31 December 2017	**12,404**	**14,921**	**27,325**
At 31 December 2018	**18,180**	**10,726**	**28,906**

Part of the property and equipment was obtained under finance leases. The net carrying amount of the leased equipment was € 810 thousand at 31 December 2018 (2017: € 2,805 thousand). Please refer to note 25 for an overview of the commitments related to these contracts.

21. *Intangible assets*

	Software	Goodwill	Total
Cost			
Balance at 1 January 2017	**1,769**	**502**	**2,271**
Additions	320		320
Disposals	(132)		(132)
Exchange rate differences	(28)		(28)
Balance at 31 December 2017	**1,929**	**502**	**2,431**
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**
Depreciation and impairment losses			
Balance at 1 January 2017	**701**	**-**	**701**
Depreciation for the year	368	-	368
Disposals	(131)	-	(131)
Exchange rate differences	(13)	-	(13)
Balance at 31 December 2017	**925**	**-**	**925**
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**
Carrying amounts			
At 31 December 2017	1,068	502	1,570
At 31 December 2017	**1,004**	**502**	**1,506**
At 31 December 2018	**779**	**502**	**1,281**

Part of the intangible assets were obtained under a finance lease. The net carrying amount of leased Intangible assets was €141 thousand at 31 December 2018 (2017: € 114 thousand). Please refer to note 25 for more information about the commitments related to those contracts.

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 2018 and 2017.

22. *Assets held for sale*

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

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

23. *Financial liabilities held for trading*

	At 31 December	
	2018	**2017**
Short positions in equity securities trading	2,601,500	961,180
Derivatives	29	-
Total financial liabilities held for trading	**2,601,529**	**961,180**

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

24. *Trading payables*

	At 31 December	
	2018	**2017**
Payables for securities bought	2,994,340	1,933,110
Borrowings	706,215	2,704,997
Total trading payables	**3,700,555**	**4,638,107**

Please also refer to note 15 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), RBS and Goldman Sachs. 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.

25. *Other liabilities*

	At 31 December	
	2018	**2017**
Long-term variable compensation payables	48,892	15,849
Long-term finance lease commitments	2,464	1,295
Subtotal non current liabilities	**51,356**	**17,144**
Short-term lease commitments/outstanding loans	2,085	1,244
Wages and variable compensations payables	54,106	36,424
Wages tax payable	2,041	1,200
Creditors and accruals	16,375	9,166
Subtotal current liabilities	**74,607**	**48,034**
Total other liabilities	**125,963**	**65,178**

Finance lease commitments

The Group has finance leases for IT investments. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Less than one year	2,200	1,364	115	120	2,085	1,244
Between one and five years	2,520	1,399	56	104	2,464	1,295
Total	**4,720**	**2,763**	**171**	**224**	**4,549**	**2,539**

26. *Equity*

Share capital and share premium

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

ORDINARY SHARES

	2018	2017
In issue 1 January	46,534,500	46,534,500
Treasury shares	(99,356)	-
Total	**46,435,144**	**46,534,500**

Ordinary shares

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

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

Shares acquired by participants in 2015 as part of the EEP 2015 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 2017 and 2018 these shares were used into the Flow Loyalty Incentive Plan whereby all employees receive 100 share in the company at their two years working anniversary. Part of these shares are hold 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 on page 59 of 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.

Revaluation reserve

The revaluation 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 2018 (totaling €160.9 million), an amount of €52 million shall be added to the reserves. The remaining amount of €108.9 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 €2.35 per share will be paid out to shareholders for the financial year 2018, subject to a 15% dividend withholding tax. An interim cash dividend of €1.35 per share was paid out on 13 August 2018. This means that the final cash dividend proposal to the General Meeting of 8 May 2019 is €1.00 per share.

27. *Operating leases*

Leases as lessee

Non-cancellable operating lease minimum payments are payable as follows:

OPERATIONAL LEASES

	At 31 December 2018	2017
Less than 1 year	6,754	6,915
Between 1 and 5 years	16,430	14,301
Total leases	**23,184**	**21,216**

The Group leases all of its office facilities under operating leases.

28. *Other contingent liabilities*

Claims

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

Fiscal unity

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

Cash incentive provided to employees

As explained in our remuneration policy and on page 56 of the Management Board report, our employees have the possibility to participate In an employee equity plan and are eligible to a cash incentive depending on their share position in the company. One of the conditions for this cash Incentive is that the employee needs to be employed at the company at time of the payment of the cash incentive. Payments will be made of the first, second, third, fourth and fifth year of the plan. Based on IAS 19, it is not possible to record any costs In relation to the cash incentive as long as the employee did not provide the service. Therefore these costs will be recognized in the coming year in the Profit and Loss.

PAYABLE AMOUNTS

	Year 1 (2019)	Year 2 (2020)	Year 3 (2021)	Year 4 (2022)
Cash inventive plan 2017	600	600	600	600
Cash inventive plan 2018	1,842	1,842	1,842	1,842

29. *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 2018 and 2017.

	2018		2017	
	Fixed	Variable	Fixed	Variable
Salaries				
Management Board	410	11,909	284	1,237
Supervisory Board	325	-	325	-

30. *Group companies*

SUBSIDIARIES

	Country of incorporation	Ownership interest 2018	2017
Flow Traders Holding B.V.	Netherlands	100%	100%
Flow Traders B.V.	Netherlands	100%	100%
Flow Traders Technologies B.V.	Netherlands	100%	100%
Flow Traders Asia Pte. Ltd.	Singapore	100%	100%
Flow Traders Hong Kong Ltd	Hong Kong	100%	100%
Flow Traders U.S. Holding LLC	United States of America	100%	100%
Flow Traders U.S. LLC	United States of America	100%	100%
Flow Traders U.S. Institutional Trading LLC	United States of America	100%	100%
Flow Traders Technologies SRL	Romania	100%	100%

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which its subsidiaries operate. Please refer to the Capital Management section of this report for more information.

31. *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 counter-parties. The maximum exposure to credit risk at the reporting date was as follows:

CARRYING AMOUNT

	2018	2017
Cash and cash equivalents	10,054	5,879
Trading receivables	3,039,875	2,126,594
Other receivables	13,927	10,302

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 guarantee for any failure to settlement of trading.

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 2018, 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 23 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 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)	-

At 31 December 2017

	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	5,865,243	–	5,865,243	(5,599,287)	265,956
Types of financial liabilities					
Short positions, cash market products amounts payable to clearing agents, and borrowings	(5,599,287)	–	(5,599,287)	(5,599,287)	–

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 on 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, such as 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), and exchange-traded products (ETP). 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 2018 is shown in the Capital management paragraph. The haircut set out in the graph below reflects the mandatory capital requirement of the prime brokers. 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 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**

At 31 December 2017	Carrying amount	Contractual cash flow	3 months or less
Payable for securities bought	1,933,110	1,933,110	1,933,110
Borrowings	2,704,997	2,704,997	2,704,997
Total trading payables	**4,638,107**	**4,638,107**	**4,638,107**

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 2018

	Total	Receivable/ payable on demand	Within 3 months	3 months to 1 year	>1 year
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	–	–	–
Liabilities at fair value	–	–	–	–	–
Variable compensation payables	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**	**–**	**–**

	Total	Receivable/ payable on demand	Within 3 months	3 months to 1 year	>1 year
					At 31 December 2017
Cash and cash equivalents	5,879	5,879	–	–	–
Financial assets held for trading	3,738,649	3,738,648	–	–	–
Trading receivables	2,126,594	2,126,594	–	–	–
Other receivables	10,302	–	5,952	5,457	1,893
Investments fair value through OCI	1,475	–	–	–	1,475
Investments in associates	571	–	–	–	571
Current tax assets	4,698	–	–	4,698	–
Deferred tax assets	1,941	–	–	–	1,941
Assets held for sale	816	–	816	–	–
Non-derivative financial assets	**5,891,079**	**5,871,121**	**5,952**	**10,155**	**5,880**
Financial liabilities held for trading	961,180	961,180	–	–	–
Trading payables	4,638,107	4,638,107	–	–	–
Variable compensation payables	52,273	–	36,424	–	15,849
Long-term loans/Lease commitments	2,539	–	324	971	1,244
Other payables	11,556	–	11,556	–	–
Current tax liabilities	318	–	–	318	–
Deferred tax liabilities	872	–	–	–	872
Non-derivative financial liabilities	**5,665,845**	**5,599,287**	**48,304**	**1,289**	**17,965**
Derivative assets	788	–	788	–	–
Derivative assets	**788**	**–**	**788**	**–**	**–**

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 2018, the Group held €10.1 million in cash and cash equivalents compared to €5.9 million as of 31 December 2017. 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.

Subsequent events

No material subsequent events have occurred since 31 December 2018 that require recognition or disclosure in this year's financial statements.

PARENT COMPANY BALANCE SHEET *In thousands of euro*

	Note	For the year ended 31 December 2018	31 December 2017
Assets			
Participating interest in group companies	32	360,153	322,853
Other investments		-	-
Other receivables		3,811	269
Cash		11	168
Assets held for sale		-	816
Total assets		**363,975**	**324,106**
Liabilities			
Liabilities to related parties		-	65,894
Current tax liabilities	33	8,856	147
Other liabilities	34	14,068	3,964
Total liabilities		**22,924**	**70,005**
Equity			
Share capital	35	4,653	4,653
Share premium	35	154,509	152,456
Retained earnings	35	167,734	86,667
Currency translation reserve	35	14,663	10,611
Fair value reserve	35	(508)	(286)
Total equity		**341,051**	**254,101**
Total equity and liabilities		**363,975**	**324,106**

PARENT COMPANY INCOME STATEMENT

	Note	For the year ended 31 December 2018	31 December 2017
Employee expenses	36	12,769	1,898
Other expenses	37	513	475
Operational expenses		**13,282**	**2,373**
Operating result		**(13,282)**	**(2,373)**
Share in result from participating interests, after tax	32	168,468	40,887
Result/(impairment) of equity-accounted investments		3,486	13
Profit before tax		**158,672**	**38,527**
Tax expenses		2,261	1,068
Net result		**160,933**	**39,595**

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.

32. *Participating interest in Group companies*

	At 31 December	
	2018	**2017**
Participating interest in group companies and associates	360,153	322,853
Total participating interest in Group companies	**360,153**	**322,853**

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

	2018	**2017**
Balance at 1 January	322,853	290,735
Changes:		
■ exchange rate differences	4,052	(8,922)
■ fair value reserve	(222)	152
■ share in result of participating interests	168,814	40,887
■ dividends declared	(135,000)	-
Balance at 31 December	**360,497**	**322,853**

33. *Current tax liabilities*

	At 31 December	
	2018	**2017**
Corporate income tax	8,856	147
Total current tax liabilities	**8,856**	**147**

34. *Other liabilities*

	At 31 December	
	2018	**2017**
Long-term variable compensation payable	7,889	1,828
Subtotal non current liabilities	**7,889**	**1,828**
Wages and variable compensations payables	5,911	1,940
Wages tax payable	27	22
Other current liabilities	241	174
Subtotal current liabilities	**6,179**	**2,136**
Total other liabilities	**14,068**	**3,964**

35. *Equity*

STATEMENT OF CHANGES IN EQUITY *in thousands of euro*

	Share capital	Share premium	Currency translation reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2018	4,653	152,456	10,611	(286)	86,667	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

36. *Employee expenses*

	At 31 December 2018	2017
Wages and salaries	753	625
Variable compensations	11,972	1,237
Social security charges	34	27
Recruitment and other employment costs	10	9
Employee expenses	**12,769**	**1,898**

37. *Other expenses*

	At 31 December 2018	2017
Advisors and assurance	172	174
Regulatory costs	91	107
Shareholder meeting costs	117	36
Various expenses	133	158
Other expenses	**513**	**475**

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. *Auditor fees*

With reference to Section 2:382a (1) and (2) of the Netherlands Civil Code, the following fees (including VAT) 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
			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

The 2017 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
			2017
Statutory audit of annual accounts	200	35	235
Other assurance services	-	-	-
Tax advise	-	-	-
Other non-audit services	-	-	-
Total auditor fees 2017	**200**	**35**	**235**

Amsterdam, 27 February 2019

The Management Board:

Dennis Dijkstra   Folkert Joling   Sjoerd Rietberg   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.

Independent auditor's report

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

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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 2018, and of its result and its cash flows for 2018 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 2018, and of its result for 2018 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 2018
- The following statements for 2018: the consolidated income statement, the consolidated statements of comprehensive income, 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 2018
- The parent company income statement for 2018
- 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.

MATERIALITY

Materiality	€ 3,9 million (2017: € 2,4 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 € 260 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.

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.

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

We have:

- Performed audit procedures ourselves for the component entity Flow Traders B.V.
- Used the work of other 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.

Our key audit matter

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 matter to the supervisory board. The key audit matter is not a comprehensive reflection of all matters discussed.

This key audit matter was 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 this matter.

The key audit matter is in line with prior year.

Risk	Our audit approach	Key observations
Fair value measurement of financial assets and liabilities held for trading (note 8 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 the closing prices at the various stock exchanges, for example due to market illiquidity and the opening hours of the stock exchanges. 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. We evaluated the fair value hierarchy of financial assets and liabilities held for trading and developments therein since prior year. 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.	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.

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:

- Message of the Management Board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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 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 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 Message of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 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 ever 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. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- 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

Because 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.

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 matter: this matter 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 2019

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

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

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

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

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

FLOW TRADERS

Flow Traders N.V.
Jacob Bontiusplaats 9
1018 LL Amsterdam
The Netherlands
Tel: +31 20 799 6799
www.flowtraders.com