FLOW TRADERS

# **Half Year Report** 2021

# Table of contents



# Flow Traders at a Glance

## FIRST TWO QUARTERS 2021 BY NUMBERS

Global ETP value traded (€bn)
First six months 2021
**17,316**
First six months 2020: 20,143

FTEs
as per 30 June 2021
**577**
30 June 2020: 502

Flow Traders ETP value traded (€bn)
First six months 2021
**768**
First six months 2020: 820

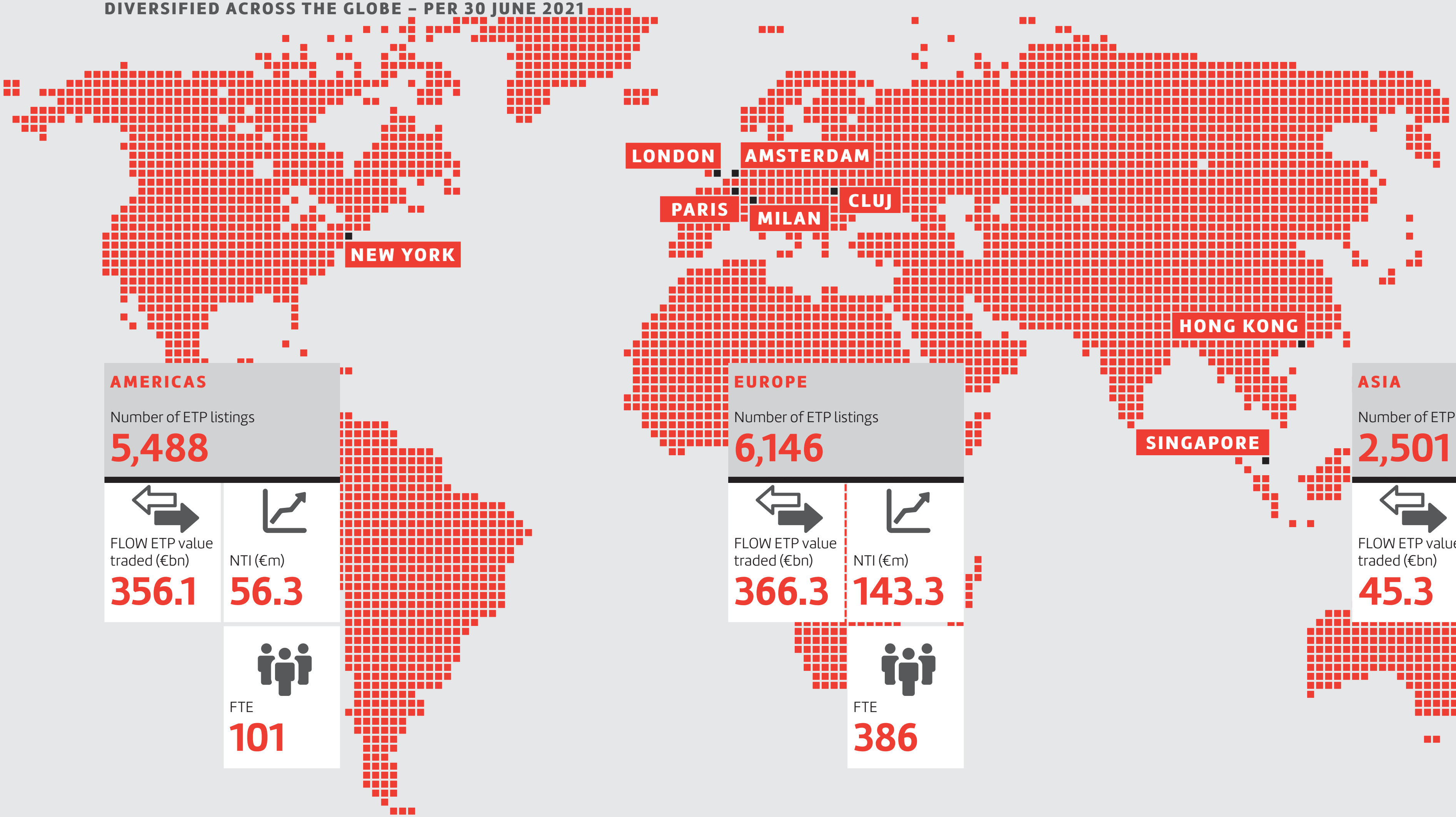
Net Trading Income (NTI) (€m)
First six months 2021
**236.6**
First six months 2020: 724.8

Net Profit (€m)
First six months 2021
**90.2**
First six months 2020: 375.3

Interim dividend (€)
**1.00**
Interim dividend 2020: 4.00

# Flow Traders at a Glance

DIVERSIFIED ACROSS THE GLOBE – PER 30 JUNE 2021




## AMERICAS

Number of ETP listings
**5,488**

FLOW ETP value traded (€bn)
**356.1**

NTI (€m)
**56.3**

FTE
**101**

## EUROPE

Number of ETP listings
**6,146**

FLOW ETP value traded (€bn)
**366.3**

NTI (€m)
**143.3**

FTE
**386**

## ASIA

Number of ETP listings
**2,501**

FLOW ETP value traded (€bn)
**45.3**

NTI (€m)
**37.0**

FTE
**90**

# Our Business

**We provide liquidity in financial products, historically with a focus on exchange-traded products (ETPs). ETPs are baskets of securities made up of shares, bonds, commodities or alternative products. ETPs often track indices and, unlike most mutual funds, can be traded throughout the day on trading venues. We do this globally, enabling investors to buy and sell ETPs efficiently by quoting bid and ask prices under virtually all market circumstances. We help financial markets function in an orderly manner. In 2021 we continued our work to further diversify our market making activities into Foreign Exchange (FX), cryptocurrency, commodities and fixed income. The modularity of our Trading infrastructure allows for efficient leverage on our trading capabilities in all financial products and not only ETPs.**

## Markets & Trends

***Our business***

During the first half of 2021, we had access to more than 180 trading venues in over 40 countries around the world. We provide liquidity in over 7,900 ETP listings on- and off-exchange, which is over 60 percent of all ETPs globally.

Off-exchange, we provide liquidity in ETPs on a request-for-quote basis to around 1,900 institutional counterparties across the globe, including banks, asset managers, pension funds, insurance companies, family offices, hedge funds, and others and this number is increasing on an almost daily basis.

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

Despite the strong operational focus required so far in 2021, progress has also been made in driving forward our strategic plan in terms of expanding our global ETP footprint as well enhancing coverage of fixed income, commodities, currencies and cryptocurrency.

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

***The ETP market***

The popularity of ETPs has continued to grow in recent years. According to asset manager BlackRock, global ETP Assets under Management (AuM) increased from €6,422 billion at the end of 2020 to €7,168 billion by the end of Q1 2021. The overall growth in ETP AuM is expected to continue, as investors continue to invest in low-cost, transparent and easy-to-trade passive investment strategies. This contributes to the long-term value creation of Flow Traders' strategy.

We believe there are a number of reasons for this trend to continue, including beyond 2021: one is that investors are attracted to the transparent nature of ETPs, which enables them to follow clearly how the underlying securities are performing. Another reason is that ETPs are liquid and available at low-cost and can be bought and sold easily during market hours. A third reason is that ETPs can be composed of financial instruments from almost any asset class, sector or location, giving investors access to markets that would normally be difficult to reach. A fourth reason is that the ETP ecosystem performed as intended during the market stresses experienced in the first half of 2020 which has only increased its attractiveness to investors.

## Market environment

The ETP market environment during the first half of 2021 was more normalized than the increased levels of market activity as well as heightened volatility seen throughout the first half of 2020 as the COVID-19 pandemic spread. Accordingly, activity levels reduced. There was also an increased focus in H1 2021 in Environmental, Social and Governance (ESG) investing and Flow Traders was a critical participant in facilitating this trend.

Given this market backdrop, Flow Traders ETP value traded (on-exchange and off-exchange) reduced to €768 billion (H1 2020: €820 billion). Meanwhile, ETP market value traded (on-exchange and off-exchange) also decreased during the same period to €17,316 billion (H1 2020: €20,143 billion).

The Americas is still the largest ETP market, where total ETP value traded was €14,553 billion in the first six months of 2021 (H1 2020: €17,314 billion). Our own total ETP value traded in the Americas was €356 billion in the first six months of 2021 (H1 2020: €361 billion). As institutional trading gained further momentum in 2021 particularly with our Single Dealer Platform (SDP) going live, Flow Traders US continued to grow its overall presence.

In EMEA, the total market ETP value traded of €1,061 billion in the first six months of 2021 (H1 2020: €1,159 billion). Our total ETP value traded in EMEA was €366 billion (H1 2020: €422 billion). Flow Traders maintained its position as the leading liquidity provider in ETPs, both on- and off-exchange in EMEA. Flow Traders holds the number 1 position off-exchange in Fixed Income, Equity, Fixed Income and Commodity ETFs.

In APAC, the ETP market remained fragmented, with large differences in trading volumes, trading costs, regulation and maturity across the financial markets. The total ETP value traded was €1,722 billion in the first six months of 2021 (H1 2020: €1,669 billion), including China, while Flow Traders' ETP value traded was €45 billion (H1 2020: €38 billion). Flow Traders had a successful first half of 2021 in APAC in terms of trading volumes compared to the same period in 2020, confirming the contribution of recent investments made in the region.

## Financial Overview

Flow Traders recorded Net Trading Income (NTI) of €236.6 million (H1 2020: €724.8 million) reflecting a more normalized market environment as compared to the exceptional market circumstances seen in H1 2020. Europe, our home market, contributed the most to our NTI which reflects that region's high level of flow visibility and counterparty and product coverage as well as the fact that the growth business activities are typically located at our head office in Amsterdam. There was also significant contributions from the US and APAC. The disciplined execution of our strategic growth agenda meant that investments we have made are yielding meaningful returns.

On the cost side, we maintained a firm discipline on costs with fixed operating expenses amounting to €58.9 million in the first six months of 2021 (H1 2020: €54.7 million). The main drivers of the increase in fixed expenses were technology investments to support diversification initiatives and efficiency improvements as well as new hires. There was €1.3 million of non-recurring expenses in H1 2021 (H1 2020: €1.5 million), as we continued to incur costs in relation to the ongoing COVID-19 pandemic. Variable compensation reduced to €58.1 million in H1 2021 (H1 2020: €205.9 million) which reflects the overall financial performance of the business during the first half.

Given these income and cost dynamics, Flow Traders demonstrated strong operational leverage once again with an EBITDA margin of 51% (H1 2020: 64%) and EBITDA of €119.6 million (H1 2020: €464.3 million). Ultimately, we recorded a Net Profit for H1 2021 of €90.2 million (H1 2020: €375.3 million) with a basic EPS of €2.05 (H1 2020: €8.25). The interim FY21 dividend has been set at €1.00 per share (interim FY20 dividend: €4.00 per share).

From a capital perspective, the new IFR/IFD prudential regime finally came into force on 26 June 2021. The initial impact has been broadly neutral as lower capital requirements have been partially offset by growth in business activities which are more capital intensive. Our own funds requirement increased to €271 million as at 30 June 2021 compared to €218 million as at 31 December 2020. This is due to the nature of the overall trading book at this point in time. Overall, we maintained a strong capital position with €178 million of excess capital at the end of the half-year.

# Our Risk Management

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

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

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

## Enterprise Risk Management

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

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

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

### *Risk categories*

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

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

### *Risk Management Governance*

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

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

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

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

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

***Enterprise Risk Management roles and responsibilities***

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

- Supervise the Management Board with respect to:
  - Identifying and analysing the risks associated with the strategy and activities of the company and its affiliated enterprise;
  - Establishing the risk appetite, and putting in place the measures in order to counter the risks being taken;
  - Designing, implementing and maintaining adequate internal risk management and control systems;
  - Monitoring the operation of the internal risk management and control systems and carrying out a systematic assessment of their design and effectiveness at least once a year. Where necessary, improvements should be made to internal risk management and control systems;
  - Accounting for the effectiveness of the design and the operation of the internal risk management and control systems referred to in best practice provisions 1.2.1 to 1.2.3 of the Dutch Corporate Governance Code together with the Audit Committee.
- Advise, and where applicable supervise, the Management Board with respect to:
  - the company's overall risk appetite, tolerance and strategy;
  - the current risk exposures and future risk strategy;
  - the appointment of the Chief Risk Officer.
- Review, in relation to the company's internal risk management and control systems:
  - the company's overall risk assessment processes that inform the Management Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - on an annual basis, the parameters used for these processes and the methodology adopted;
  - the accurate and timely monitoring of certain risk types of high importance;
  - the company's capability to identify and manage new risk types;
  - reports on any material breaches of risk limits and the adequacy of proposed action.
- Monitor the manner in which the company's risk management function is provided with adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Risk Committee shall also keep under review that the function has the adequate independence and is free from management and other restrictions;
- Prepare reports, recommendations and deliberations on its findings regarding the company's internal risk management for purposes of the meetings of the Supervisory Board or the Audit Committee;
- Review, and where applicable monitor, the Management Board´s responsiveness to the reports, findings and recommendations of the Chief Risk Officer.

The Management Board is responsible for:

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

Flow Traders Managing Directors are responsible for:

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

Flow Traders Local Heads are responsible for:

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

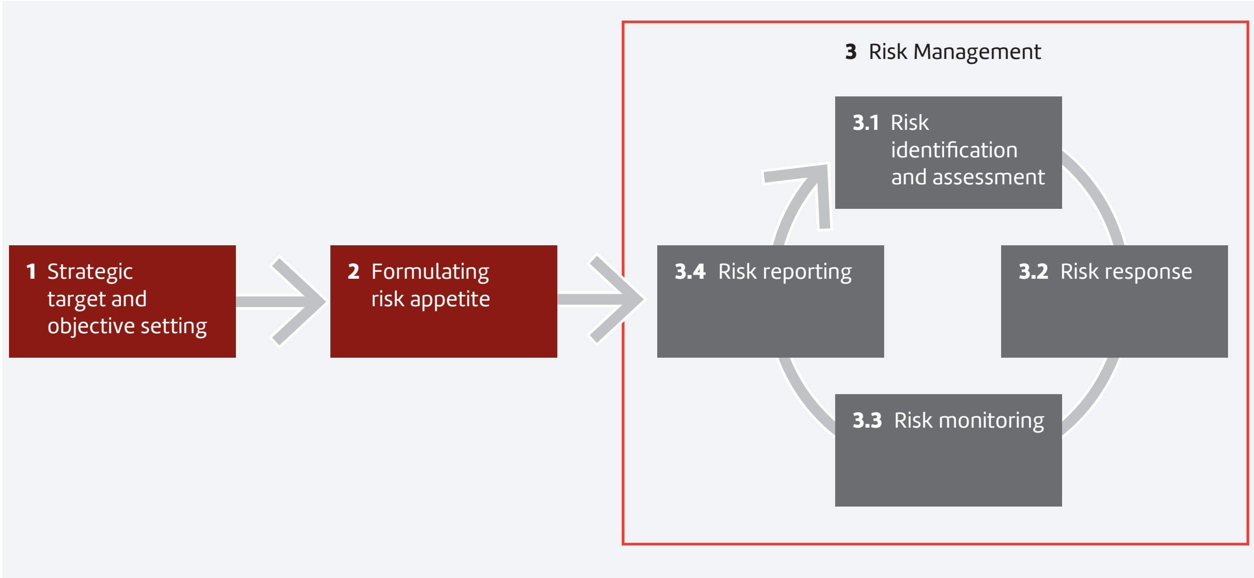
Flow Traders Risk Department is responsible for:

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

Flow Traders employees are responsible for:

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

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




*Flow Traders' Enterprise Risk Management cycle.*

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

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

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

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

### *Risk reporting*

We have a standing risk committee that continuously assesses the risks we face in our business, comprised of the Management Board. Aside from ongoing ad-hoc communication, there is a recurring meeting set up in which they discuss all risk assessments and risk proposals related to position limits, strategies, procedures, capital requirements and other requirements of prime brokers and market developments. Any major changes to our risk systems, strategies and limit setting must subsequently be approved by the Management Board. There have not been any major failings in the internal risk management and control systems observed during H1 2021. 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, Risk and Compliance departments. For more information on the responsibilities of our Risk Committee, please see the chapter Our Governance of the annual report of 2020.

Following a review of the company's risk assessment processes, the monitoring of the company's internal risk management and control systems has been identified as a priority and as a joint responsibility of the Supervisory Board and its committees. All risks relevant to each of the committees of the Supervisory Board are monitored in the Risk Committee of the Supervisory Board. This means that the relevant items set out in best practice provision 1.4.1 of the Corporate Governance Code have been discussed by the Supervisory Board, as all members of the Supervisory Board are members of the Risk Committee. For more information, please refer to the chapter Supervisory Board Report of the annual report of 2020.

### *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 minimize exposures towards market moves.

**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.

### Environmental risk

While Flow Traders considers its overall impact on the environment to be low, we have nonetheless identified certain environmental risks to our business:

- Physical environmental risks such as earthquakes, forest fires and floods could negatively impact our physical infrastructure. This is particularly relevant to our server locations which are distributed globally. Climate change will likely lead an increase in extreme weather events in the future. We mitigate this risk by having a widely distributed server infrastructure high degree of system redundancy. In addition, recent forest fires in South East Asia have led to the closure of our Singapore office. This was mitigated by activities transferring to other office locations.
- Regulation may affect Flow Traders financially by putting a price on $CO_2$ and other greenhouse gas emissions, In addition, $CO_2$ pricing may have an impact on how seek to offset our carbon footprint in the coming years.

Notwithstanding the above, we see opportunities relating to the environment and in mitigating climate change in that a relentless focus on energy efficiency and reducing waste can reduce our fixed operational expenses. This in turn makes our business more resilient and sustainable from a risk management perspective.

### External risk

Given the highly interconnected nature of the financial markets ecosystem we are a part of, we recognize that should any of the risks referenced within this section materialize, there could be a negative impact on various external third parties. Specifically, market and operational risk events could negatively impact key parties within our value chain; namely counterparties and prime brokers. There could be a risk to our counterparties' ability to trade with us or settlement trades effectively on a timely basis. Moreover, the various prime brokers we work closely with could also be exposed to risk.

### *Regulatory risk*

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

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

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

The Trading Compliance and Risk 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. The Investment Firm Regulation and Directive (IFR/IFD) was agreed at the European level in December 2019 which affects our Dutch trading entity and our Group. We have implemented this regulation and will be using it to report our HY1 regulatory capital position.

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

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

## Statement by the Management Board

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

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

Amsterdam, 22 July 2021

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

# Condensed Consolidated Interim Financial Statements 30 June 2021

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

| | Note | At 30 June 2021 | At 31 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 5,379 | 8,345 |
| Financial assets held for trading | 5 | 5,976,038 | 3,873,144 |
| Trading receivables | 5 | 7,790,193 | 4,494,361 |
| Other receivables | | 16,228 | 14,190 |
| Investments measured at fair value through OCI | 5 | 3,931 | 3,622 |
| Investments in associates | | 207 | 176 |
| Property and equipment | | 37,339 | 40,745 |
| Intangible assets | | 2,618 | 1,226 |
| Current tax assets | 10 | 6,715 | 7,351 |
| Deferred tax assets | 10 | 3,500 | 5,285 |
| ***Total assets*** | | **13,842,148** | **8,448,445** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities held for trading | 5 | 3,201,789 | 1,960,231 |
| Trading payables | 5 | 9,950,879 | 5,644,035 |
| Lease liabilities | | 13,552 | 14,657 |
| Other liabilities | | 139,743 | 192,786 |
| Current tax liabilities | 10 | 8,975 | 45,661 |
| Deferred tax liabilities | 10 | 967 | 1,137 |
| ***Total liabilities*** | | **13,315,905** | **7,858,507** |
| | | | |
| **Equity** | 11 | | |
| Share capital | | 4,653 | 4,653 |
| Share premium | | 78,710 | 117,046 |
| Share based payment reserve | | 35,660 | 45,821 |
| Retained earnings | | 397,575 | 417,337 |
| Currency translation reserve | | 10,447 | 6,076 |
| Fair value reserve | | (802) | (995) |
| ***Total equity*** | | **526,243** | **589,938** |
| | | | |
| ***Total equity and liabilities*** | | **13,842,148** | **8,448,445** |

The notes on pages 22 to 31 are an integral part of these condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*In thousands of euro*

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | For the six months ended 30 June | |
| Gross trading income | | 315,253 | 822,413 |
| Fees related to the trading activities | | 48,062 | 67,024 |
| Net financial expenses related to the trading activities | | 30,563 | 30,548 |
| **Net trading income** | 7 | **236,628** | **724,841** |
| | | | |
| Employee expenses | 8 | 84,783 | 229,521 |
| Depreciation of property and equipment | | 7,310 | 7,000 |
| Amortization of intangible assets | | 256 | 173 |
| Impairment of tangible and intangible assets | | 1 | 49 |
| Other expenses | 9 | 32,248 | 31,017 |
| **Operating expenses** | | **124,598** | **267,760** |
| | | | |
| **Operating result** | | **112,030** | **457,081** |
| | | | |
| Result on equity-accounted investees | | 53 | 85 |
| **Profit before tax** | | **112,083** | **457,166** |
| | | | |
| Tax expense | 10 | 21,840 | 81,887 |
| ***Profit for the period*** | | **90,243** | **375,279** |
| | | | |
| **Other comprehensive income (loss)** | | | |
| Items that may be reclassified to profit or loss | | | |
| Foreign currency translation differences - foreign operations | | 4,371 | 890 |
| Items not reclassified to profit or loss | | | |
| Changes in fair value through other comprehensive income | | 193 | 26 |
| **Other comprehensive income for the year (net of tax)** | | **4,564** | **916** |
| **Total comprehensive income for the year** | | **94,807** | **376,195** |
| | | | |
| **Earnings per share** | 6 | | |
| Basic earnings per share | | 2.05 | 8.25 |
| Diluted earnings per share | | 1.99 | 8.25 |

The notes on pages 22 to 31 are an integral part of these condensed consolidated financial statements.

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

| | Share capital | Share premium | Share based payment reserve | Currency translation reserve | Fair value reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2021** | **4,653** | **117, 046** | **45,821** | **6,076** | **(995)** | **417,337** | **589,938** |
| Profit | – | – | – | – | – | 90,243 | 90,243 |
| Total other comprehensive income | – | – | – | 4,371 | 193 | – | 4,564 |
| **Total comprehensive income for the period** | – | – | – | **4,371** | **193** | **90,243** | **94,807** |
| Transactions with owners of the Company | | | | | | | |
| Share premium | – | – | – | – | – | – | – |
| Dividends | – | – | – | – | – | (110,005) | (110,005) |
| Treasury shares | – | (40,827) | – | – | – | – | (40,827) |
| Share based payments | – | 2,491 | (10,161) | – | – | – | (7,670) |
| **Total transactions with owners of the company** | – | **(38,336)** | **(10,161)** | – | – | **(110,005)** | **(158,502)** |
| ***Balance at 30 June 2021*** | **4,653** | **78,710** | **35,660** | **10,447** | **(802)** | **397,575** | **526,243** |

| | Share capital | Share premium | Share based payment reserve | Currency translation reserve | Fair value reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **4,653** | **152,364** | **516** | **16,234** | **(954)** | **158,238** | **331,051** |
| Profit | – | – | – | – | – | 375,279 | 375,279 |
| Total other comprehensive income | – | – | – | 890 | 26 | – | 916 |
| **Total comprehensive income for the period** | – | – | – | **890** | **26** | **375,279** | **376,195** |
| Transactions with owners of the Company | | | | | | | |
| Share premium | – | 274 | – | – | – | – | 274 |
| Dividends | – | – | – | – | – | (24,870) | (24,870) |
| Treasury shares | – | (29,588) | – | – | – | – | (29,588) |
| Share based payments | – | – | 3,024 | – | – | – | 3,024 |
| **Total transactions with owners of the company** | – | **(29,314)** | **3,024** | – | – | **(51,434)** | **(51,160)** |
| ***Balance at 30 June 2020*** | **4,653** | **123,050** | **3,540** | **17,124** | **(928)** | **508,647** | **656,086** |

The notes on pages 22 to 31 are an integral part of these condensed consolidated financial statements.

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

| | Note | For the six months ended 30 June 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the period** | | 90,243 | 375,279 |
| Adjusted for: | | | |
| Depreciation of property and equipment | | 7,310 | 7,000 |
| Amortization of intangible assets | | 256 | 173 |
| Impairment of tangible and intangible assets | | 1 | 49 |
| Result on equity-accounted investees (net of tax) | | 53 | - |
| Tax expense | 10 | 21,840 | 81,887 |
| Share based payment transactions | 8 | 4,500 | 3,851 |
| Share donation Flow Traders Foundation | | 2,005 | |
| Interest on lease liabilities | | 161 | 204 |
| Changes in working capital | | | |
| ■ Financial assets held for trading | | (2,102,894) | (1,394,052) |
| ■ Trading receivables | | (3,295,832) | (539,096) |
| ■ Other receivables | | (2,038) | (2,984) |
| ■ Financial liabilities held for trading | | 1,241,558 | 476,472 |
| ■ Trading payables | | 4,306,844 | 906,329 |
| ■ Other liabilities | | (53,043) | 151,522 |
| ■ Corporate income tax paid | | (56,275) | (6,285) |
| ■ Other | | 3,639 | 1,551 |
| ***Cash flows from operating activities*** | | **168,328** | **61,900** |

| **CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *In thousands of euro* | For the six months ended 30 June | |
|---|---|---|
| | **2021** | **2020** |
| **Cash flows from investing activities** | | |
| Acquisition of investments fair value through OCI | – | (2,739) |
| Acquisition of property and equipment | (1,141) | (2,819) |
| Acquisition of intangible assets | (1,422) | (103) |
| ***Cash flows from investing activities*** | **(2,563)** | **(5,661)** |
| | | |
| **Cash flows from financing activities** | | |
| Dividends paid | (110,005) | (24,870) |
| Payments of lease liabilities | (3,848) | (3,628) |
| Repurchases of shares | (55,003) | (30,150) |
| Capital contributions | – | - |
| ***Cash flows from financing activities*** | **(168,856)** | **(58,648)** |
| | | |
| Effect of movements in exchange rates on cash and cash equivalents | 125 | (3) |
| ***Change in cash and cash equivalents*** | **(2,966)** | **(2,412)** |
| | | |
| **Changes in cash and cash equivalents** | | |
| Cash and cash equivalents at opening | 8,345 | 5,687 |
| Cash and cash equivalents at close | 5,379 | 3,275 |
| ***Changes in cash and cash equivalents*** | **(2,966)** | **(2,412)** |

## Notes to the condensed consolidated financial statements

*All amounts in thousands of euro, unless stated otherwise.*

### 1. *Reporting entity*

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

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

The condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2021 incorporate financial information of Flow Traders N.V., its subsidiaries and associates. The condensed consolidated interim financial statements were authorised for issue by the Company's Management Board and the Supervisory Board on 22 July 2021.

### 2. *Basis of preparation*

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2020.

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

All accounting policies in these condensed consolidated interim financial statements are consistent with those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020.

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

Several other amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### 4. *Operating segments*

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

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

Flow Traders recorded Net Trading Income (NTI) of €236.6 million (H1 2020: €724.8 million) a decline of 67% reflecting a more normalized market environment as compared to the exceptional market circumstances seen in H1 2020. This market normalization had the largest impact on NTI in Europe and the Americas.

| SEGMENT REPORTING | For the six months ended 30 June 2021 | | | |
|---|---|---|---|---|
| | Europe | Americas | Asia | Total |
| Gross trading income | 183,677 | 87,560 | 44,016 | 315,253 |
| Fees related to the trading activities | 28,124 | 15,372 | 4,566 | 48,062 |
| Net financial expenses related to the trading activities | 12,261 | 15,873 | 2,429 | 30,563 |
| **Net trading income** | **143,292** | **56,315** | **37,021** | **236,628** |
| Intercompany recharge | 24,079 | - | - | 24,079 |
| **Total revenue** | **167,371** | **56,315** | **37,021** | **260,707** |
| | | | | |
| Employee expenses | 55,057 | 19,106 | 10,620 | 84,783 |
| Intercompany recharge | - | 13,485 | 10,594 | 24,079 |
| Other expenses | 18,874 | 8,737 | 4,637 | 32,248 |
| **Operational expenses** | **73,931** | **41,328** | **25,851** | **141,110** |
| **EBITDA** | **93,440** | **14,987** | **11,170** | **119,597** |
| Depreciation of property and equipment | 3,616 | 2,311 | 1,383 | 7,310 |
| Amortization of intangible assets | 227 | 16 | 13 | 256 |
| Impairment of (in) tangible assets | - | 1 | - | 1 |
| **Operating result** | **89,597** | **12,659** | **9,774** | **112,030** |
| Result/(impairment) of equity-accounted investees | 9 | 44 | - | 53 |
| **Profit before tax** | **89,606** | **12,703** | **9,774** | **112,083** |
| Tax expense | 18,103 | 2,860 | 877 | 21,840 |
| ***Profit for the period*** | **71,503** | **9,843** | **8,896** | **90,243** |
| | | | | |
| ***Assets*** | **408,269** | **206,510** | **74,702** | **689,480** |
| | | | | |
| ***Liabilities*** | **95,930** | **45,677** | **21,630** | **163,237** |

| SEGMENT REPORTING | For the six months ended 30 June 2020 | | | |
|---|---|---|---|---|
| | Europe | Americas | Asia | Total |
| Gross trading income | 455,998 | 294,140 | 72,275 | 822,413 |
| Fees related to the trading activities | 29,387 | 32,793 | 4,844 | 67,024 |
| Net financial expenses related to the trading activities | 12,448 | 15,633 | 2,467 | 30,548 |
| **Net trading income** | **414,163** | **245,714** | **64,964** | **724,841** |
| Intercompany recharge | 108,352 | - | - | 108,352 |
| **Total revenue** | **522,515** | **245,714** | **64,964** | **833,193** |
| | | | | |
| Employee expenses | 146,711 | 52,545 | 30,265 | 229,521 |
| Intercompany recharge | | 93,814 | 14,538 | 108,352 |
| Other expenses | 18,254 | 8,518 | 4,245 | 31,017 |
| **Operational expenses** | **164,965** | **154,877** | **49,048** | **368,890** |
| **EBITDA** | **357,550** | **90,837** | **15,916** | **464,303** |
| Depreciation of property and equipment | 3,438 | 2,112 | 1,450 | 7,000 |
| Amortization of intangible assets | 140 | 18 | 15 | 173 |
| Impairment of (in) tangible assets | (7) | 55 | 1 | 49 |
| **Operating result** | **353,979** | **88,652** | **14,450** | **457,081** |
| Result/(impairment) of equity-accounted investees | - | 85 | - | 85 |
| **Profit before tax** | **353,979** | **88,737** | **14,450** | **457,166** |
| Tax expense | 61,394 | 19,653 | 840 | 81,887 |
| ***Profit for the period*** | **292,585** | **69,084** | **13,610** | **375,279** |
| | | | | |
| ***Assets*** | **583,963** | **338,738** | **70,643** | **993,344** |
| | | | | |
| ***Liabilities*** | **218,959** | **84,764** | **33,534** | **337,257** |

## 5. *Fair values of financial instruments*

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

**Valuation models**

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

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

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

The Group uses widely recognized valuation techniques and models (including net present value models and comparisons with similar instruments for which market observable prices exist) for determining the fair value of common, simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices or model inputs (including risk-free and benchmark interest rates and credit spreads used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations) are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and thus reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

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

**Valuation framework**

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

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

The following reconciliations are executed on a daily basis:

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

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

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

### a) Financial assets and liabilities held for trading

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

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

A substantial part of the financial assets and liabilities held for trading 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 measured at fair value through OCI

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

### c) Other receivables

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

**Fair value hierarchy**

| | | | | At 30 June 2021 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Long positions in cash market products | 280,049 | 5,693,082 | – | 5,973,131 |
| Mark to market derivatives assets | – | 2,907 | – | 2,907 |
| **Financial assets held for trading** | **280,049** | **5,695,989** | **–** | **5,976,038** |
| Trading receivables | 7,790,193 | – | – | 7,790,193 |
| Investments measured at fair value through OCI | – | 979 | 2,952 | 3,931 |
| ***Total long positions*** | **8,070,242** | **5,696,968** | **2,952** | **13,770,162** |
| | | | | |
| Short positions in cash market products | 231,164 | 2,970,625 | – | 3,201,789 |
| Mark to market derivatives liabilities | – | – | – | – |
| **Financial liabilities held for trading** | **231,164** | **2,970,625** | **–** | **3,201,789** |
| Trading payables | 9,950,879 | – | – | 9,950,879 |
| ***Total short positions*** | **10,182,043** | **2,970,625** | **–** | **13,152,668** |

| | | | | At 30 June 2020 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Long positions in cash market products | 97,257 | 4,779,338 | – | 4,876,595 |
| Mark to market derivatives assets | – | 3,155 | – | 3,155 |
| **Financial assets held for trading** | **97,257** | **4,782,493** | **–** | **4,879,750** |
| Trading receivables | 3,735,535 | - | – | 3,735,535 |
| Investments measured at fair value through OCI | – | 851 | 3,116 | 3,967 |
| ***Total long positions*** | **3,832,792** | **4,783,344** | **3,116** | **8,619,252** |
| | | | | |
| Short positions in cash market products | 50,990 | 2,040,337 | – | 2,091,327 |
| Mark to market derivatives liabilities | – | 4,009 | – | 4,009 |
| **Financial liabilities held for trading** | **50,990** | **2,044,346** | **–** | **2,095,336** |
| Trading payables | 5,607,354 | - | – | 5,607,354 |
| ***Total short positions*** | **5,658,344** | **2,044,346** | **–** | **7,702,690** |

Due to the short holding period between acquisition and sale, there are no transfers between Level 1 and Level 2. The current level 3 positions consist of the equity investments in MEMX and ErisX exchanges.

**Hedge of net investments in foreign operations**

Included in financial liabilities held for trading at 30 June 2021 were borrowings of USD 72,000,000 and USD 2,000,000, which has been designated as a hedge of the net investments in the United States and Singapore subsidiaries, respectively, which have their functional currencies in USD. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

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

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

| | | | At 30 June 2021 | | | At 30 June 2020 |
|---|---|---|---|---|---|---|
| | Notional amount (US$000) | Carrying amount (€000) | Change in fair value used for measuring ineffectiveness for the period (€000) | Notional amount (US$000) | Carrying amount (€000) | Change in fair value used for measuring ineffectiveness for the period (€000) |
| Foreign currency denominated borrowing | 74,000 | 62,400 | 4,028 | 176,500 | 158,673 | (615) |

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

| | | At 30 June 2021 | | At 30 June 2020 |
|---|---|---|---|---|
| | Change in fair value used for measuring ineffectiveness (€000) | Foreign currency translation reserve (€000) | Change in fair value used for measuring ineffectiveness (€000) | Foreign currency translation reserve (€000) |
| Net investment in foreign subsidiaries | 4,028 | 4,028 | (615) | (615) |

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

## 6. *Earnings per share*

The calculation of the basic earnings per share is based on 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.

Diluted earnings per share is determined by adjusting the basic earnings per share for the effects of all dilutive share-based payments to employees

| EARNINGS PER SHARE | For the six months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Profit for the year | 90,243 | 375,279 |
| ***Profit attributable to ordinary shareholders*** | **90,243** | **375,279** |
| | | |
| Weighted average number of ordinary shares for basic EPS | 44,030,063 | 45,492,824 |
| Dilutive effect of share-based payments | 1,380,318 | - |
| ***Weighted average number of ordinary shares for diluted net profit*** | **45,410,381** | **45,492,824** |
| | | |
| ***Basic earnings per share*** | **2.05** | **8.25** |
| | | |
| ***Diluted earnings per share*** | **1.99** | **8.25** |

## 7. *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.

## 8. *Employee expenses*

| | For the six months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Wages and salaries | 19,996 | 17,875 |
| Social security charges | 2,562 | 2,124 |
| Recruitment and other employment costs | 4,077 | 3,672 |
| Variable compensation paid in cash | 48,416 | 201,999 |
| Variable compensation paid in shares | 9,732 | 3,851 |
| ***Employee expenses*** | **84,783** | **229,521** |

The wages and salaries increased in line with the FTE development from 502 as per 30 June 2020 to 577 as per 30 June 2021. Overall employee expenses decreased by 63% as a result of the decrease in variable compensation paid to employees. The decline in the variable compensation reflects the overall financial performance of the business during the first half.
The decrease in variable compensation is also reflected in the decrease in other liabilities.

Variable compensation costs are based on existing variable compensation obligations as well as expected variable compensation for the period.

**2019, company loyalty and sign-on package share plans**

Under the 2019, company loyalty and sign-on package share plans, shares are granted as a part of variable compensation to certain employees, settled in equity. The shares vest over a period of three to five years subject, depending on the share plan and agreement with the employee, to the condition that the employee remains employed on the vesting date.

The fair value of the share options is estimated at the grant date. The weighted average fair value of shares granted during the year was €30.92 (2020: €27.26). The exercise price of the share option is equal to the market price of the underlying shares on the date of grant.

The following table illustrates the number of shares and movements in share awards during the year:

| | At 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Outstanding at 1 January | 167,080 | 47,500 |
| Shares granted during the year | 32,760 | 234,580 |
| Shares vested during the year | (45,519) | (114,000) |
| Shares forfeited during the year | (5,000) | - |
| Shares modified during the year | - | (2,500) |
| ***Outstanding at 30 June*** | **149,421** | **170,580** |

**2020 share plan**

Under the 2020 share plan, shares are granted to employees as part of their variable compensation, settled in equity. The shares vest in four equal installments during the first open period of the year over a period of four years subject to the condition that the employee remains employed on the vesting date.

At yearend 2020, employees were granted shares based on a fixed monetary value of €96,318 thousand, reflecting a grant date fair value share price of €28.58. The final number of shares granted as at 31 December 2020 was determined based on the volume weighted average price (VWAP) of the first open period of 2021 of €32.20, resulting in an updated calculation of the shares awarded, as is shown in the table below.

The following table illustrates the number of shares and movements in share awards during the year:

| | At 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Outstanding at 1 January | 3,370,127 | - |
| Shares vested during the year | (661,762) | - |
| Shares forfeited during the year | (75,111) | - |
| Change in shares recalculated based on final VWAP | (802,390) | - |
| ***Outstanding at 30 June*** | **1,830,864** | - |

**Share appreciation rights**

Certain employees are awarded share appreciation rights (SARs) as part of their variable compensation, settled in cash. The SARs vest in equal installments over a period of four years subject to the condition that the employee remains employed on the vesting date. The liability for the SARs is measured, initially and at the end of each reporting period until settled, at the fair value of the SARs. The carrying amount of the liability relating to the SARs at 30 June 2021 was €7,193 thousand (end 2020: €814 thousand).

## 9. *Other expenses*

| | For the six months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Technology | 24,158 | 23,099 |
| Housing | 1,308 | 1,338 |
| Advisors and assurance | 1,507 | 1,480 |
| Regulatory costs | 1,268 | 1,375 |
| Fixed exchange costs | 2,123 | 1,799 |
| Travel expenses | 480 | 618 |
| Various expenses | 1,404 | 1,308 |
| ***Other expenses*** | **32,248** | **31,017** |

Technology expenses increased due to initiatives to optimize our infrastructures. Travel expenses have remained limited due to reduced business travel due to COVID-19.

## 10. *Taxation*

| CURRENT TAX EXPENSES | For the six months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Tax recognised in profit or loss | 21,840 | 81,887 |
| Current tax expense | 20,101 | 86,369 |
| Movement deferred tax asset | 1,785 | (4,083) |
| Movement deferred tax liability | (170) | (159) |
| Adjustment for prior years | 124 | (240) |
| ***Tax expense excluding share of tax of equity-accounted investees*** | **21,840** | **81,887** |

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 six months ended 30 June | |
|---|---|---|
| | 2021 | 2020 |
| Profit before tax | 112,083 | 457,166 |
| Dutch standard tax rate | 25% | 25% |
| Income tax expected | 28,021 | 114,292 |
| Actual income tax charge | 21,840 | 81,887 |
| In percentage | 19.5% | 17.9% |
| ***Difference in tax rate*** | **(5.5%)** | **(7.1%)** |

| RECONCILIATION OF EFFECTIVE TAX RATE | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | 2021 (€) | 2021 | 2020 (€) | 2020 |
| **Dutch standard tax rate** | 28,021 | 25.0% | 114,292 | 25% |
| Different weighted average statutory rate of group | (1,891) | (1.7%) | (5,064) | (1.1%) |
| Income (partly) exempted | (7,159) | (6.4%) | (28,250) | (6.2%) |
| Other non-deductible costs | 2,869 | 2.6% | 909 | 0.2% |
| Subtotal | **(6,181)** | **(5.5%)** | **(32,405)** | **(7.1%)** |
| ***Effective tax rate*** | **21,840** | **19.5%** | **81,887** | **17.9%** |

The effective tax rate differs from the (nominal) statutory tax rate. This difference is mainly caused by applying the participation exemption and Dutch innovation box regime.

## 11. *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 | At 30 June | |
|---|---|---|
| | 2021 | 2020 |
| In issue 1 January | 46,534,500 | 46,534,500 |
| Treasury shares | (2,860,465) | (1,476,394) |
| ***Outstanding at 30 June*** | **43,674,035** | **45,058,106** |

**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.

Treasury shares held by the Company are not cancelled. Treasury shares are recognized at cost and deducted from equity as part of the retained earnings. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in retained earnings. Treasury shares are used to distribute to employees as further set out in our remuneration report of 2020.

### 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 measures at fair value through OCI of the Group.

### Interim dividends

It is proposed that an interim cash dividend of €1.00 per share will be paid out to shareholders for the financial year 2021, subject to 15% dividend withholding tax.

## 12. *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

Up until and including 2019, employees had the possibility to participate in an employee incentive plan and are eligible to a cash incentive depending on their share position in the company. One of the conditions for this cash incentive is that the employee needs to be employed at the company at time of the payment of the cash incentive. Payments will be made in the first, second, third, fourth and fifth year of the plan. Based on IAS 19, costs related to the cash incentive may not be recognized until the employee fulfills the service obligation. Therefore these costs will be recognized in the future years in the profit and loss. In 2021 the company recognized €1.1 million of cost relating to this plan (2020: €3.1 million). The contingent liability from this plan per end June 2021 is as follows:

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Cash incentive plan 2017 | 202 | 404 | 404 | - |
| Cash incentive plan 2018 | 603 | 1,206 | 1,206 | - |
| Cash incentive plan 2019 | 311 | 622 | 622 | 622 |

## 13. *Group companies*

### SUBSIDIARIES

| | Country of incorporation | Ownership interest 2021 | Ownership interest 2020 |
|---|---|---|---|
| Flow Traders Holding B.V. | Netherlands | 100% | 100% |
| Flow Traders B.V. | Netherlands | 100% | 100% |
| Flow Traders Technologies B.V. | Netherlands | 100% | 100% |
| INIT Capital B.V. | Netherlands | 100% | 100% |
| Flow Traders Asia Pte. Ltd. | Singapore | 100% | 100% |
| Flow Traders Hong Kong Ltd | Hong Kong | 100% | 100% |
| Flow Traders Hong Kong Services Ltd | Hong Kong | 100% | 100% |
| Flow Traders U.S. Holding LLC | United States of America | 100% | 100% |
| Flow Traders U.S. LLC | United States of America | 100% | 100% |
| Flow Traders U.S. Institutional Trading LLC | United States of America | 100% | 100% |
| Flow Traders Technologies SRL | Romania | 100% | 100% |

### Other branches

The Group has the following branches:

| | Country | Trading Name |
|---|---|---|
| London | United Kingdom | Flow Traders B.V. (London Branch) |
| Milan | Italy | Flow Traders B.V. (Milan Branch) |
| Paris | France | Flow Traders B.V. (Paris Branch) |

### Significant restrictions

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

**Related party transactions**

As some of Flow Traders' Supervisory Board members sit on the board of the Flow Traders Foundation ("Foundation"), the foundation is considered a related party.

During 2020 Flow Traders established the Flow Traders Foundation, a Charity or Foundation ("Stichting") to better structure its historic engagement in giving to others in society who need (financial) help. During 2020 Flow Traders has put in place the funding to make sure that a significant financial basis has been laid so that the Foundation has the financial means to make not only an annual but also a structural impact and meets its purpose.

The contribution in the first half year of 2021 was for a total value of €0.3 million (2020: nil) and related to the Multiyear right to appoint charities the Foundation supports as the main shirt sponsor of a Dutch professional football club. Furthermore, 60,000 Flow Traders NV shares for a total value of €2.0 million and a cash donation of €0.5 million were transferred to the Foundation. These transfers were already accrued for in 2020.

## *Subsequent events*

No material subsequent events have occurred since 30 June 2021 that require recognition or disclosure in this year's condensed consolidated interim financial statements.

## Independent auditor's review report

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

### *Our conclusion*

We have reviewed the condensed consolidated interim financial statements included in the half-yearly financial report of Flow Traders N.V. based in Amsterdam for the period from 1 January 2021 to 30 June 2021.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Flow Traders N.V. for the period from 1 January 2021 to 30 June 2021, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

The condensed consolidated interim financial statements comprises:

- The condensed consolidated statement of financial position as at 30 June 2021
- The following condensed consolidated statements for the period from 1 January 2021 to 30 June 2021: the statements of profit or loss and other comprehensive income, changes in equity and cash flows
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

### *Basis for our conclusion*

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, "Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit". A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the Our responsibilities for the review of the condensed consolidated interim financial statements section of our report.

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

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

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

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

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

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

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

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

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

Our review included among others:

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

Amsterdam, 22 July 2021

Ernst & Young Accountants LLP
Signed by R. Koekkoek

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