

# FLOW ■ TRADERS

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Mr. **Enneman**: Good morning ladies and gentlemen. On behalf of Flow Traders I would like to thank you for joining us today. This morning we have released our second quarter and half year 2017 result. Our Co-CEOs Dennis Dijkstra and Sjoerd Rietberg and our CFO Marcel Jongmans will present prepared remarks, after which there will be some time dedicated to answer your questions.

# FLOW TRADERS

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Before we begin, let me draw your attention to the disclaimer on page 2. Please be advised that if you continue to listen to this presentation, you are bound to this disclaimer.

The results we will discuss in this presentation, are unaudited results.

With the formalities out of the way, I would now like to hand over the call to Dennis for his opening remarks.

# FLOW TRADERS

## Flow Traders gained market share in challenging market conditions

1H17 characterized by low market activity with the lowest volatility in over 30 years

ETP market	Flow Traders	
<ul style="list-style-type: none"> <li>Underlying ETP market continued to grow to US\$ 4,700bn (+4% Q-o-Q) but stayed flat Q-o-Q in euro terms**</li> <li>Volatility in 2Q17 declined further quarter-on-quarter, touching lowest levels in over 30 years**</li> <li>1H17 Market ETP Value Traded declined 12% Y-o-Y</li> <li>Market sentiment remained slow and cautious in 2Q17, resulting in a practically flat Market ETP value traded Q-o-Q</li> <li>Market volatility slowed down further following the ongoing growth in ETP AUM (in US\$) and the practically flat ETP Value Traded development</li> </ul>	<ul style="list-style-type: none"> <li>ETP Value Traded in 1H17 showed strong growth Y-o-Y (+25%) despite continued challenging market conditions with market ETP Value Traded down 12% Y-o-Y</li> <li>ETP Value Traded rose 6% Q-o-Q to € 185bn in 2Q17, outperforming the market in EMEA and the Americas Q-o-Q</li> <li>NTI of € 46.7m in 2Q17 and € 95.0m in 1H17, reflected the ongoing slow market conditions and impact of the consequent product mix traded</li> <li>Fixed operational expenses rose 16% Q-o-Q, total operating expenses declined 12% Q-o-Q in 2Q17</li> <li>2Q17 EPS reached € 0.27, translated to an EPS for 1H17 of € 0.56 and an interim dividend of € 0.30</li> <li>Continued to strengthen presence in the ETP markets globally, among others by increasing our official liquidity provider registrations by 6% Q-o-Q</li> <li>Key initiatives such as the roll-out of the US OTC trading, the diversification into FX, the opening of the HK office and the re-location of the New York office are on schedule and underpin our longer term growth trajectory</li> <li>Define our growth plans and increase in costs by 5-20% in 2017 and max 5% annually from 2018 onwards</li> </ul>	
<b>Market ETP Value Traded 2Q17</b> <b>€ 4,841bn (-1% Q-o-Q)</b>	<b>Flow Traders' ETP Value Traded 2Q17</b> <b>€ 185bn (+6% Q-o-Q)</b>	<b>Interim dividend</b> <b>€ 0.30</b>
<b>Global ETP AUM end 2Q17</b> <b>€ 3,604bn (flat Q-o-Q)</b>	<b>Flow Traders' NTI 2Q17</b> <b>€ 46.7m (-3% Q-o-Q)</b>	<b>EPS 1H17</b> <b>€ 0.56</b>
<small>** Data provided by ETP Providers</small>	<small>** Data provided by ETP Providers</small>	<small>Flow Traders 12/2016 data</small>

Mr. **Dijkstra**: Thank you, Serge. Good morning all and thank you for joining this call where we will present our second quarter 2017 numbers. The second quarter of 2017 replicated market conditions we witnessed in the first quarter with low levels of activity and volatility, as per the VIX, hit a 30-year low. Nonetheless Flow Traders outperformed the market in terms of ETP Value Traded and made significant market share gains in the EMEA and the Americas.

On the operational front, we grew our liquidity provider registrations by another 6% to well over 5,000, and now cover over 50% of all ETPs listed globally.

We have also substantially grown the number of counterparties we trade with to over 650 today.

We continued to make progress with the growth initiatives, like US OTC trading, the setup of the Hong Kong office, the re-location of the New York office and moving into FX trading.

As we highlighted in our monthly market volumes reports, market activity in the second quarter of 2017 was a touch slower than in the first quarter, which was already perceived as slow. These circumstances naturally impacted the product mix traded and the velocity in the market.

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In these market conditions, Flow Traders' ETP Value Traded reached EUR 185 billion, which was an increase of 6% versus the first quarter of 2017. This means that year to date we have outperformed the market value traded by 33%. In particular in EMEA and the Americas we have shown strong momentum. In Asia we lagged somewhat, due to the impact of the product mix traded, the fragmented markets and the concentration around the top 10 products traded.

Our NTI reached EUR 46.7 million in the second quarter, leading to an NTI of EUR 95 million in 1H 2017. That is in absolute terms a decrease year-on-year, but keep in mind that the first half of 2016 included the surprise outcome of the Brexit referendum. Relatively it is a better performance, because Flow Traders has grown in the last 12 months in terms of ETP Value Traded, the number of products traded and number of counterparties connected to.

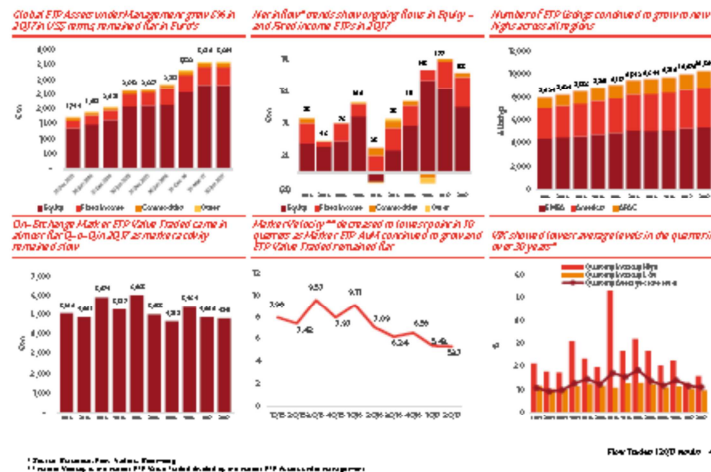
Consequently, we delivered an EBITDA margin of 36% and a Net profit of EUR 12.5 million Euro or 27 cents per share in the second quarter, realizing a first half 2017 EPS of 56 cents.

Based on that result, the Management Board of Flow Traders has decided to pay out an interim dividend of 30 cents, leading to a pay-out ratio of 54%, consistent with our dividend policy.

Now let's briefly take a closer look at the ETP market developments in the second quarter on the next slide.

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## ETP market growth drivers intact, but continued low market activity in 1H17



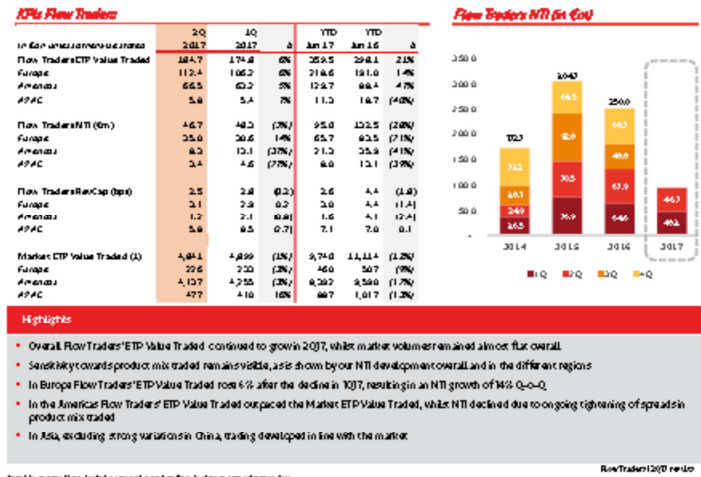
In the second quarter, underlying growth drivers like ETP Assets under Management, measured in US\$, and total number of listings continued to grow, driven in particular by net inflows in Fixed Income and Equity ETPs and market appreciation. The AuM growth as shown in the top left graph in Euros, shows a rather flat development quarter-on-quarter, caused by the change in the Euro/Dollar exchange rate in the second quarter.

The impact of the slow market conditions is shown by the 3 graphs at the bottom of the slide. Quarter-on-Quarter the market ETP Value Traded declined marginally, whereas year-on-year the ETP Value Traded was significantly lower. Velocity fell down further to a new low since we started tracking it. We expect this dynamic to change in the future, but as always, timing remains uncertain.

Now we will go into detail on the performance of Flow Traders in the second quarter of 2017.

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## Continued outperformance relative to the market in 2Q17



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As we mentioned earlier, it is shown here that Flow Traders' ETP Value Traded outperformed the market ETP Value Traded in the second quarter, as we did in the first quarter of 2017.

Taking a closer look at the different regions, we want to highlight that:

In Europe, Flow Traders had a strong quarter, with an increase in ETP Value Traded and revenue capture, leading to a 14% jump in NTI. This was achieved under market conditions that did not improve accordingly as volumes remained subdued in Europe. The explanation for our performance lies in the product mix traded.

In the US, Flow Traders' ETP Value Traded grew 5% in the second quarter, pushing ETP Value Traded in the first half of this year 47% higher. This compares to a market ETP Value Traded that declined 3% in the second quarter and 12% in the first six months, confirming Flow Traders' growing presence in the US ETP ecosystem. Our market share in the US, continued to grow, to above 2% on-exchange, while we expanded the number of products traded and improved our technological setup.

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As flagged during the first quarter 2017 trading update, the contribution of OTC is still limited. In the second quarter of 2017, revenue capture was under pressure following tightening in spreads and developments in product mix traded. That led to a decline in NTI in the US.

In APAC, we lagged behind the market in terms of ETP Value Traded in the second quarter. Market volumes grew by 16%, but this is mostly explained by the increase in volume traded in China. Excluding these incremental volumes from China, our market share in APAC remained stable relative to the market in the second quarter and close to 3% on-exchange. Velocity remained at subdued levels and sensitivity of our NTI development towards product mix traded remained visible.

We will now briefly highlight the developments and performances per region. For this I would like to hand over to our co-CEO Sjoerd Rietberg.



Mr. **Rietberg**: Thank you Dennis and Good morning all. First we would like to start with the developments in the EMEA region.

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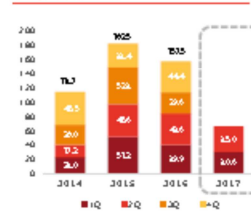
## EMEA back to growth, with market share gains

### APR EMEA (Europe)

	2Q17	1Q17	Δ	YTD	YTD	Δ
	Jun 17	Jun 16		Jun 17	Jun 16	
Assets under Management (€bn)	90.7	89.3	2%	90.7	88.2	23%
ETP Value Traded (€bn)	228	252	(9%)	490	387	27%
Flow Traders ETP Value Traded	112.4	106.2	6%	213.6	191.0	7%
Flow Traders NTI (€bn)	23.0	20.8	7%	63.7	55.3	12%
Flow Traders Revenue Capture (bps)	5.1	2.8	2.3	5.0	4.4	(1.4)
FTEs	261	238	4%	261	217	20%

1. Based on Flow Traders Group ETP Revenue (€bn) and ETP Value Traded (€bn).  
 2. Market share based on ETP Value Traded in EMEA.

### Europe NTI (€bn)



### Highlights

- 2Q17 NTI of EUR 36m was up 14% increase versus 1Q17
- ETP Value Traded for Flow Traders reached EUR 112bn in 2Q17 (+6% q-o-q), outperforming the market by 9%
- Velocity in EMEA slowed down to lowest level in 10 quarters
- Market share in EMEA grew in 2Q17 after a dip in 1Q17 and is comfortably above 20% on- and off-exchange
- Revenue Capture in 2Q17 improved 0.2bps versus 1Q17 to 3.1bps as a reflection of the product mix traded
- FTEs in EMEA grew by 4% Q-o-Q to 261

### Velocity EMEA



Flow Traders' ETP Value Traded grew 6% in the second quarter to 112 billion Euros. This versus a market where the ETP Value Traded declined 3% in the same period.

Assets under Management continued to grow in EMEA, consistent with the global trends. Following these developments, velocity decreased further in the region to the lowest point since the beginning of 2015.

What this also means is that Flow Traders expanded its position and relative performance. Market share is well above 20% on-and off exchange, measured by a mix of market data and our own analysis of the OTC flows.

As flagged, our Revenue Capture in the EMEA improved in the second quarter to 3.1 bps, as a result of the product mix traded. This immediately led to a 14% increase in NTI quarter-on-quarter.

This performance was achieved while our FTEs in EMEA grew by 4% to 261 by the end of the second quarter. That represents a 20% increase versus the end 2016.

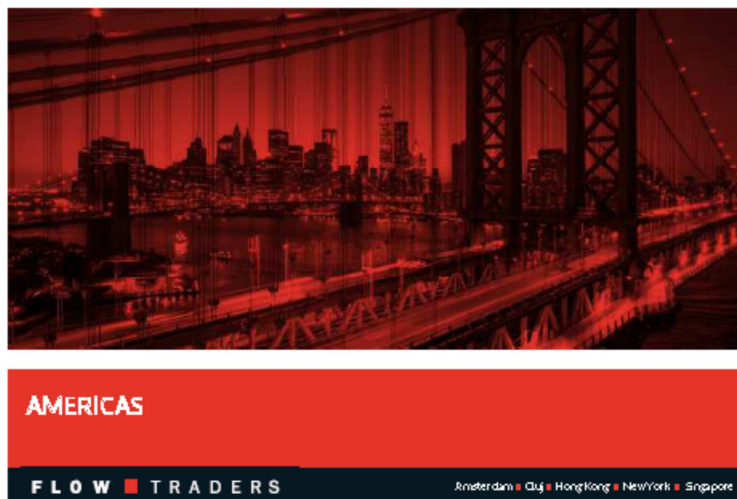


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On the regulatory front, all preparations for MiFID II are underway, as was discussed during the Analyst Day. With the implementation of MiFID II less than 6 months away, most operational and regulatory checks are in place or on schedule to meet the deadline at the beginning of 2018. The shift to lit trading is expected to benefit non-bank liquidity providers like Flow Traders.

So looking at the first half of 2017, Flow Traders performed well in EMEA, consolidating our number 1 position in Europe as the ETP Liquidity Provider on- and off-exchange.

Now we turn to the Americas.



In the Americas, we continued to grow our ETP Value Traded ahead of the market quarter-on-quarter. We had to accept however, a tightening in spreads, because of low volatility, decreased market velocity and product mix traded. The sensitivity to that was especially visible in the second quarter.

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Following these market developments, our NTI reached EUR 8.3 million in the second quarter and EUR 21.3 million in the first half of 2017.

## Continued market share gains despite slow markets; Progress made in OTC

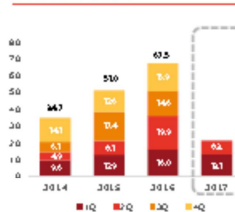
### FP's Americas

	2Q17	1Q17	%	YTD	YTD	%
in €bn unless otherwise stated						
ETP Value Traded	2,884	2,700	(7%)	2,824	2,112	2.7%
Americas ETP Value Traded <sup>(1)</sup>	4,157	4,223	(1%)	8,592	9,398	(7.2%)
Flow Traders ETP Value Traded	66.3	65.2	3%	129.7	88.4	4.7%
Flow Traders MIF (€m)	3.5	15.1	(17.7%)	21.5	53.8	(4.7%)
Flow Traders Revenue Capture (€m)	1.2	2.1	(0.8)	1.8	4.1	(2.4)
FTEs	39	33	7%	39	43	3.7%

<sup>(1)</sup> Based on Firm Revenue Group's confidence intervals (€m) (€m)

<sup>(2)</sup> Includes Value Traded on-exchange and on-OTC

### Americas NTI (in €m)



### Highlights

- 2Q17 NTI declined to EUR 8.3m and Revenue Capture to 1.2, as a result of slow market circumstances and the impact of the product mix traded
- Velocity slowed down to the lowest level in 10 quarters
- Flow Traders ETP Value Traded reached EUR 66.3bn, a 5% increase Qo-Q, which confirms our growing presence in that region
- Market share is above 2% on-exchange
- FTEs in the Americas grew by 7% Qo-Q to 39
- OTC trading with US counterparties look promising, onboarding new US counterparties progressing well

### Velocity Americas



Given the development of our ETP Value Traded, Flow Traders' market share continued to grow; our market share is now above 2% on-exchange. Our Institutional Trading desk is growing the list of onboarded counterparties and a few percent of our volumes traded in the US is now done OTC. We will focus on further rolling out OTC trading.

FTEs grew 7% this quarter, bringing the growth in number of FTEs in the first half of 2017 at +31% Y-o-Y.

As Dennis mentioned at the start, we will re-locate to a new office in New York in the third quarter of 2017. Flow Traders has grown substantially in the US over the last couple of years and as we expect to grow further in the future, we will move to an office that better represents our ambitions.

Now let us have a look at Asia.

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In Asia our ETP Value Traded grew 7% to 5.8 billion Euros where the market ETP Value Traded ex China grew 9% to 194 billion Euros. The slow market circumstances noted in the other regions, were visible in APAC as well. This slow down impacted the product mix traded, the market spreads and flows concentrated around the top 10 most traded ETPs. Velocity did recover marginally in the second quarter versus the first quarter, but still remained at subdued levels.

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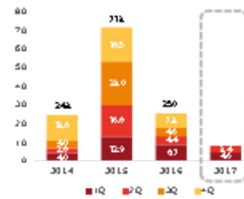
## Development plans on track and maintained market share

### APAC APAC (Asia)

in €m unless otherwise stated <sup>1</sup>	2017			YTD		
	Q1/17	Q2/17	Δ	Jun 17	Jun 16	Δ
ETP AUM (end of reporting) <sup>2</sup>	51.5	51.3	(0.2%)	51.5	23.6	2.0%
APAC ETP Value Traded (%)	47.7	41.0	(6.8%)	33.7	131.9	(78.2%)
APAC ETP Value Traded ex-China (%)	13.4	12.7	(0.6%)	2.1	31.5	(68.2%)
New ETPs ETP Value Traded	3.2	3.4	7%	11.5	13.7	(20%)
New ETPs NTI (€m)	3.4	4.6	(2.2%)	3.0	15.1	(68.2%)
New ETPs Revenue Capture (bps)	3.2	3.3	(0.1)	7.1	7.0	0.1
FTEs	42	42	0%	42	44	2.0%

<sup>1</sup> Please see Footnote 2 below. <sup>2</sup> Please see Footnote 3 below. <sup>3</sup> Please see Footnote 4 below.

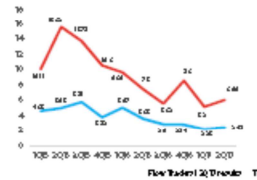
### APAC NTI (€m)



### Highlights

- 2017 NTI of EUR 3.4m is a reflection of the slow market conditions in Asia in 2017
- Flow Traders Asia ETP Value Traded of EUR 4bn was a 7% increase Q2-Q1, where the Market ETP Value Traded EX China grew 9%
- Velocity in the region remained subdued, impact China clearly shows
- Revenue Capture 2017 came in at 5.8 bps (-2.1 bps versus 1017), as a reflection of the product mix traded. 1H17 Revenue Capture is about 1.4x versus 1H16
- Flow Traders' market share on exchange in Asia remained stable at 3% on-exchange
- FTEs in Asia remained flat Q2-Q1
- Hong Kong office opening is on schedule for end 2017

### Velocity APAC / Velocity APAC ex China



This led to an NTI of EUR 3.4 million in the second quarter, realizing an NTI for the first half of 2017 of EUR 8 million.

Flow Traders is on track to open the new office in Hong Kong later this year. Once the Hong Kong office is up and running, we will, besides positioning ourselves further as a local liquidity provider in ETPs, also anticipate on the expected ETP link with China, which will enable us to access that market.

This concludes the regional review and brings us to the Financial Review, for which I would like to hand over to our CFO, Marcel.

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## Financial Review



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Mr. **Jongmans**: Thank you Sjoerd and hello everyone.

## Fixed costs development and Initiatives on track

	2Q 2017	1Q 2017 vs 2017	2Q17 vs 2017	YTD Jun 17	YTD Jun 16	YTD17 vs YTD16
<b>Consolidated (in €m)</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>			
Net trading income	46.7	48.3	(2%)	96.0	132.3	(28%)
Employee costs (fixed)	7.6	7.7	(2%)	15.4	17.4	(12%)
Employee costs (variable)	25.6	25.5	(2%)	17.3	21.3	(19%)
Technology costs	2.2	2.4	(9%)	12.3	17.0	(29%)
Other costs	2.2	2.2	0%	7.7	2.0	24%
<b>Operating Expenses</b>	<b>29.7</b>	<b>30.1</b>	<b>(1%)</b>	<b>39.7</b>	<b>67.8</b>	<b>(41%)</b>
EBITDA	17.0	18.2	(6%)	56.2	65.1	(14%)
Depreciation / Amortisation	1.7	1.7	0%	3.4	3.4	0%
Write-offs / Impairment	0.0	-	0%	0.0	1.6	0%
Results subsidiaries	0.0	0.0	0%	0.0	(0.0)	0%
<b>Profit Before Tax</b>	<b>15.3</b>	<b>16.5</b>	<b>(7%)</b>	<b>52.8</b>	<b>59.3</b>	<b>(11%)</b>
Tax	(2.8)	(2.9)	0%	(6.7)	(17.4)	0%
<b>Net Profit</b>	<b>12.5</b>	<b>13.6</b>	<b>(8%)</b>	<b>26.1</b>	<b>31.9</b>	<b>(19%)</b>
EPS (in €)	0.27	0.28	(4%)	0.56	1.12	(50%)
EBITDA margin (in %)	36%	38%	(6%)	57%	49%	16%

### Highlights

- Fixed operating expenses rose 1% Q-o-Q, total operating expenses declined 1% Q-o-Q in 2Q17
- Technology expenses grew marginally Q-o-Q following growing market connections and declining data line costs
- PYTD guidance of growth of fixed expenses E-20% remains unchanged
- EBITDA reached € 17.0m, a 6% decline versus 1Q17. EBITDA margin reached 36%, reflecting a good balance between the down market conditions and ongoing growth investments
- Effective tax rate in 2Q17 was 18.5%, 1Q17 effective tax rate was 17.4%, bringing the YTD effective tax rate at 17.9%

Flow Trader 12/10/2017

As the P&L shows on slide 13, our EBITDA margin in the second quarter reached 36%, reflecting both the NTI developments and the development of fixed costs as part of our long-term growth strategy. As expected, our number of FTEs grew by 4% quarter-on-quarter to 369 employees and technology expenses grew 3% to support the improvements in our infrastructure and the growth in number of trading venues.

The variable employee expenses were 36% of the operating profit, which is in line with our policy.

All this resulted in a Net Profit of EUR 12.5 million, or 27 cents per share for the quarter. This resulted in an EPS of 56 cents for the first half of 2017.

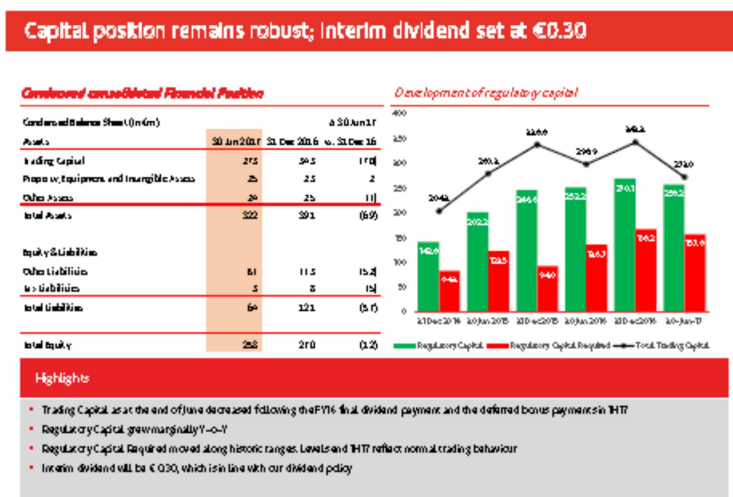
The effective tax rate in the second quarter was 18.5%, which brings the tax rate over the first half year at 17.9%, slightly better than our expectations.

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When looking at our performance in the first half of 2017, the EBITDA margin reached 37%, which is at the low end of our historic range, reflecting the slow market circumstances Flow Traders was in.

Costs developed as expected, as our Technology expenses were 41% of our fixed expenses, showing our ongoing focus on Technology as an important part of Flow Traders' business model. And overall, you will see that the 20% increase in our fixed expenses in the first half, year-on-year, is in line with our FY guidance for 2017 of growing fixed costs by 15-20%.

Now we turn to our Balance Sheet and Regulatory Capital.



As the simplified Balance Sheet shows, our total trading capital declined Y-o-Y in first half 2017. Our Regulatory Capital Required and Regulatory capital available moved along historic levels.

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Throughout the second quarter we continued to be comfortably above all regulatory and prime broker requirements with an excess of more than 100 million Euros.

The reduction in trading capital versus December 2016 is explained by our dividend payment and the deferred bonuses in combination with the slower buildup of our Net Profit.

However, given the stable basis of our capital position, we have decided to pay an interim dividend of 30 cents, representing a 54% pay-out ratio, which is consistent with our dividend policy of paying out at least 50% of our net profit.

This concludes the update on the financial developments. Now I will hand back to Dennis for some concluding remarks.

## Concluding remarks



Flow-Traders 12/07 2017

Mr. **Dijkstra**: Thanks Marcel. We have come to the end of our presentation, and I would like to conclude with a few key messages on slide 16.

Looking back we can state after the first half 2017 that Flow Traders has outperformed the market when looking at ETP Value Traded, especially in the Americas and the EMEA region.



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This led to increased market shares in EMEA and the Americas, in historically slow market circumstances.

## Focus is on organic long term growth, while remaining cost conscious

- Constantly outperformed the market and will continue to benefit from positive secular trends over the longer term
- Strong operating model based on pricing excellence, technological superiority, risk focus and strong corporate culture leading to talent retention
- Focused on organic long term growth and further developing our clear competitive edge to become and maintain the #1 liquidity provider
- Remain cost conscious, growing fixed expenses by 15-20% in 2017, and by a maximum of 15% annually from 2018 onwards
- Flow Traders will launch a share incentive plan in 2017 to further cement long term growth potential without any dilutive impact for shareholders
- Growth initiatives are underway as planned, we will update the market during the course of 2H17 on progress made

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Our operating model remains solid and based on ETP Pricing excellence, strong Risk focus, Technological superiority, and an overall team driven culture. As we flagged before, we will launch a new employee equity participation plan to make sure that the interest of our employees remains aligned with the interest of other stakeholders. It is part of Flow Traders culture to have skin in the game, as is proven by the fact that our employees already own 15% of the outstanding shares in Flow Traders. The employee equity participation plan consists of 2 parts. First we will reward all our loyal employees with 100 shares after 2 years of employment. As such we will buy up to 1 million Euros worth of shares initially. Second, Flow Traders is finalizing a broader employee equity participation plan. Our employees will be incentivized to buy shares themselves. Details are still being worked on and are subject to regulatory approval.

As a last remark, we would like to repeat that Flow Traders will continue with its strategy to grow organically in different regions, products and asset classes. That means that we will continue to invest in our people and in our technology.

We will remain cost conscious and we reiterate our guidance of 15-20% fixed cost growth in 2017 and a maximum of 15% annually thereafter. Our growth initiatives are underway as

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planned and we will update the market on progress made in the course of the second half of 2017.

We are optimistic that we can further capitalize on all improvements made when trading activities pick up again.

With that, we conclude our presentation and open the call for any questions you may have.  
Operator?

Questions?

Flow Traders 2017 Branding

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- **Ron Heijdenrijk – ABN AMRO**

Good morning all. Two questions on my side. First, could you explain the very low revenue capture or the decline in revenue capture in the US? On the one hand, you have indeed increased your volumes but on the other hand it seems that was at the cost of some revenue capture. Is there anything else in that number that we should take into account?

Secondly, your FX initiative. You said that this was going to go live in the third quarter. What is the status there and have you in the meantime ran some scenarios to see what the internalization of the FX could add to your capture?

**Mr. Rietberg:** To answer your first question on revenue capture in the US: it is the result – as already mentioned here in the presentation – of in fact the lack of market activity we have experienced in the US. There is of course a bit of compression in the spreads and actually that combined has led to this lower revenue capture for this region.

With regard to the FX project, also during the Analyst Day we spent quite some extra time on this and explained how it will work. We also mentioned before that we expect to see some tangible results in the second half of this year. As also mentioned during the Analyst Day, several steps are needed to make this success and to really get us into production. One of the elements is that we will have some internal benefits as well as some external opportunities for ourselves. At the moment, the situation where we are is that we are implementing all these improvements slowly but steadily. This project will take some time and there are quite some elements, which combined make it a success. We are on track with where we want to be. It is hard to give exact estimates about what the impact will be in terms of financials but we do expect to see quite some significant benefits from this project.

**Ron Heijdenrijk – ABN AMRO:** So, if I understand correctly there is nothing special in the US? It is just market circumstances that have compressed the spreads?

**Mr. Rietberg:** Indeed!

**Ron Heijdenrijk – ABN AMRO:** Okay. Thank you.

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- **Martin Price – Crédit Suisse**

Good morning, a couple of questions from me, please. First, I was just wondering if you could provide some thoughts on the outlook for Q3. It looks like ETP volumes have declined quite a bit sequentially, which would perhaps suggest that things still remain quite tough.

Second, just a follow-up on the previous question. I appreciate the volatility has had a major impact on revenue capture in the second quarter but I wonder if you could also comment on whether you have seen any evidence of other players competing more aggressively on price recently, too.

Mr. **Rietberg**: As you mentioned, Q3 currently is not really much deviating from the previous two quarters, so that is the current outlook. As also mentioned during the presentation, we have seen historically low levels of the volatility index, which of course also lead to subsequent lower levels of market activity. In the financial press, you could read that there are expectations that at some point this will eventually pick up again, but again it is hard for us to predict the exact timing of this. That is all I can say about that.

Then on your question with regards to competition: we have not seen any major shift there, not seen any major competitors entering into or retreating from the market, not a lot of specifics.

**Martin Price – Crédit Suisse**: Understood. Thank you.

- **Rosine van Velzen – ING**

My first question is about investments. If I remember correctly, you previously mentioned to shift the focus of the investments more to Asia. Can you give us an update on the developments there? When or how large do you expect the impact will be from this?

My second question is about the recruitment of additional FTEs. After the summer, the additional employees increased by 15 this quarter. What do you expect for the remainder of the year?

Mr. **Rietberg**: With regards to investments in Asia there is not so much a shift in investments; we are investing in our global infrastructure and as you know, we are able to leverage our global infrastructure across the offices so we share the infrastructure, we share the software and we

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share the knowledge as much as possible. So, in that sense there is not so much a shift but indeed, we did invest some extra time and effort in connectivity and the technological infrastructure in the Asian region. That is still an ongoing project; the first results are there so the first improvements have been implemented and we are working on that. That is the current status.

**Mr. Dijkstra:** A big part of the investments was internal capacity and especially from the technology department, so the software development priorities which were a bit re-prioritized. The investments made were predominantly human capital from our technology department and also, coming back to your question about growth and headcount, especially after the summer and the fall are important recruitment seasons in the US where campus recruitment in the fall and also in November in India, where we recruit in the IRTs. So, we expect especially junior traders in the second half but also, please keep in mind that these people will only start after the summer next year. We continuously recruit and we have a healthy pipeline historically but also going forward of the best trading talent we can find. On technology and supporting staff we are continuously looking for the best talent. That is on a continuous basis, so we do not expect any seasonality in hiring the other non-trading staff.

**Rosine van Velzen – ING:** Maybe as a follow-up: is there an explicit amount of people you expect to hire for the rest of the year?

**Mr. Dijkstra:** I think it is line with the guidance we give, about 15% - 20%.

**Rosine van Velzen – ING:** Okay. Thank you.

- **Anil Sharma – Morgan Stanley**

Hello, I just have a quick question. If I am looking at the revenue capture, obviously it looks a little bit weaker in a couple of jurisdictions. I am just trying to understand how much of that is, illiquid versus liquid products and how much is fixed income versus equity products.

**Mr. Rietberg:** Good question! To answer your second remark, the different product mix with regards to the underlying asset classes: as we have also mentioned during the presentation, we are an official liquidity provider in over 50% of ETPs. We trade even more of the ETPs and this actually means that our liquidity providing and our trading activity mimics more or less the mix

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we see as well in this ETF space. At the same time, revenue capture is of course something that we are looking at but we are not focused on it. Eventually, we will be focused on the bottom line and on creating net trading income and make sure that the bottom line at a level we feel happy with. This also means that our focus is on revenue capture in combination with the value traded and that is what we have focused on in the past six months as well. Of course, we will focus on that in the future as well, to increase the combination or the multiplication of both to continuously make sure we get a better presence in the markets, increasing our market share. So, the moment the revenue capture picks up again with some increased market activity, we have the ability to increase our net trading income and eventually boost our bottom line. That is our focus, on the short term but also on the medium and the long term.

**Anil Sharma – Morgan Stanley:** Okay, was there any impact from the change of business mix?

**Mr. Rietberg:** No, there is no impact. As mentioned during the previous calls as well, we see that in every quarter there is a different mix of products traded, both in the market as well as by ourselves, which is mainly driven due to indeed investor appetite, which eventually defines what kind of transactions we are doing.

**Anil Sharma – Morgan Stanley:** That is helpful. Thanks.

- **Adedapo Oguntade – Morgan Stanley**

I just have a question on the new share incentive plan you are launching. Maybe I did not get the full details but could you just provide some color on that in terms of the amount of shares you plan to purchase on an ongoing basis with respect to this plan?

**Mr. Dijkstra:** Just to highlight, we have mentioned also in the press release that we anticipate to buy up to EUR 1 million, so we expect to be purchasing between 20,000 and 30,000 shares.

**Adedapo Oguntade – Morgan Stanley:** Thank you.

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- **Michael Roeg – Degroof Petercam**

Good morning. I have a question about the value traded statistics that you publish on a monthly basis. If I translate those numbers into US dollars for 2017, it strikes me that the third month of the quarter is so much stronger than the first two months of the quarter. This was the case in Q1 and in Q2. If I see that third month of the quarter, which is so strong – I hope that continues into the new quarter – but it has fallen back, twice now. Could you tell me what is happening in that third month? For instance June, was it very strong throughout the entire month or was there a large spike for instance in the last week of June due to asset relocation or anything else that could trigger the huge jump in that month?

**Mr. Rietberg:** That is a good question. The interesting thing is that it is not really consistent throughout the regions, as I see right now. It is mainly driven by the jump in US markets' activity. To be honest, I do not have any explicit or specific explanation there. There were some more active days in June and in March. Maybe it had something to do with the end-of-month effects or end-of-quarter effect but I am not sure if there is any direct correlation. We also see this historically being a consistent trend. So to be honest, I cannot answer your question fully because I also do not see it for the end of 2016 in December or, for that matter, the month of March last year. Then it also did not work out. So, it is not really a consistent trend I can confirm or I can give a reason for.

**Michael Roeg – Degroof Petercam:** Last year it happened in two quarter and the last quarter of last year was just a blip because of the strong November with the US elections. Otherwise it could have been even three quarters last year. But I was simply wondering whether the last month in a quarter typically sees very strong activity in just one week or across the entire month so far this year. Again, I am simply trying to get a feeling of whether it will simply fall back in July or not.

**Mr. Rietberg:** Again, to be honest, I cannot give you the exact answer. Of course you have maybe some correlation with the big explorations every third month, so there might be some activity there related, and to rebalancing or end-of-quarter reporting by several financial institutions. There might be several reason but I just cannot give you any exact answer.

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- **Gregory Simpson – Exane BNP Paribas**

Good morning, just a quick one on MiFID II, which is nearing now. Are there any uncertainties or worries you have about what it could mean for the market structure, when you think about things like the dark pool caps or the systematic internalized regime or anything that is unknown and that could work out negatively for you?

Secondly, just on the US market: the external environment seemed quite similar in Q2 to Q1 in terms of volatility trends and yet the revenue capture hard quarter on quarter. You may have already answered to that but is that mix-driven or is that the US OTC business bringing on volumes but not revenues? I am just trying to get a sense of the dynamics of the revenue capture in that region.

Mr. **Dijkstra**: Coming back to your MiFID II question and the anticipated market structure going forward: with the dark pool caps as you mentioned but predominantly more transparency in the OTC trading – which is a big part here in Europe for ETPs – there will be a requirement to trade either on exchange via an MTF or via an SI. We anticipate from what we have seen in the last couple of months and probably longer that there is a push towards exchange but even more to MTF or RFQ platforms trading. We see a big part of the OTC trading moving into the RFQ platforms like Tradeweb and Bloomberg and we also expect that MiFID II will even further facilitate the trading on these platforms. Needless to say that is where we will benefit because we are connected to and present on these RFQ platforms. That makes us easier to also access all the buy side where we will be trading on these MTFs going forward.

Mr. **Rietberg**: Regarding your second question on the US revenue capture and market activity: as we have seen market activity is subdued. As already mentioned, we also see that the potential profit – some of your colleagues are talking about a ‘profit pool’— is reduced a bit due to this subdued market activity, so the spread is compressed in that sense a bit. Indeed, you are right, in the sense that OTC trading added already some percentage points of our value traded. As we also mentioned during the Analyst Day, we are providing liquidity there in such a way that we are also learning how this market works and how we can get a better presence there. This indeed does not bring any technical NTI contribution yet but it does add to the value traded, which combined of course impacts the revenue capture a little bit in a negative way.



- **Adedapo Oguntade – Morgan Stanley**

Just a follow-up on your share purchase plan. When do you plan to start the share purchase and about what time period will that be? That is for the timeframe. Also, will this be a continuous process occurring every year going forward?

Mr. **Dijkstra**: As you are probably aware of we are bound by an open period, which is two weeks after any earnings release. So, we will be purchasing the shares in this open period and the number we mentioned is between 20,000 and 30,000. That is due to the fact that we have to make a catch-up for all the employees currently employed for two years or more. Also going forward, we will purchase some shares in open periods to fulfill the commitments we have under this 100-share-plan per employee.

As there are no more questions, we would like to conclude this analyst call. We would like to thank you all for this very interactive session. Please have a nice day. The connection can now be terminated.

Thank you very much!

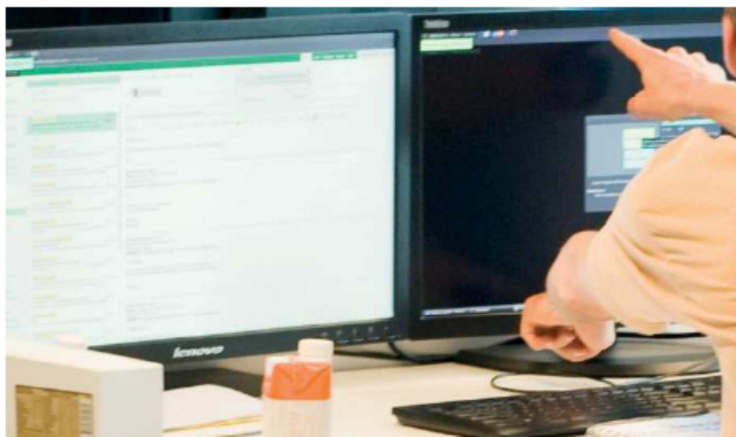
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End of call

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## Appendix

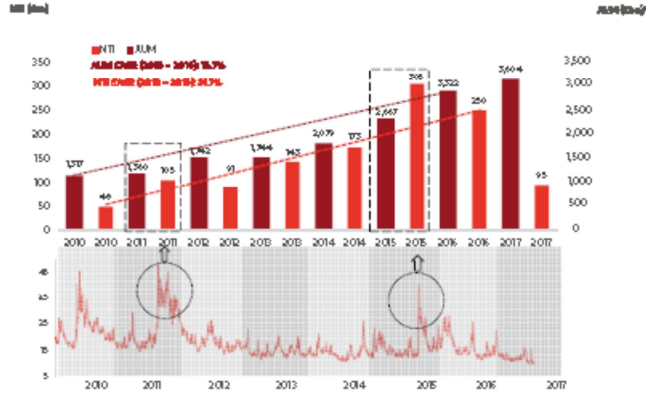


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# FLOW TRADERS

## Consistently outperformed the market through varying market cycles

*Flow Traders' NTI (in €bn), Market's AUM (€bn) and WC Index (%) since 2010*



Despite varying levels of volatility through the years, Flow Traders' NTI growth trends consistently outperformed the market AUM growth trend

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## Monthly markets update as published

*STP Market Update June 2017*

	100				110				120				130			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Market's AUM (€bn)	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn)	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264
Market's AUM CAGR (2010-2017)	15.7%								15.7%							
Flow Traders' NTI CAGR (2010-2017)	12.7%								12.7%							
Market's AUM (€bn) - QoQ	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn) - QoQ	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264
Market's AUM (€bn) - YoY	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn) - YoY	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264
Market's AUM (€bn) - 3M	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn) - 3M	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264
Market's AUM (€bn) - 6M	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn) - 6M	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264
Market's AUM (€bn) - 12M	128	121	118	121	111	128	121	118	121	111	128	121	118	121	111	128
Flow Traders' NTI (€bn) - 12M	137	136	142	144	173	227	250	264	137	136	142	144	173	227	250	264

\* Data from tables attached to the FlowTraders12Q7 release. For full details of FlowTraders12Q7 results and other financial information, please refer to the attached slides.

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