



2018 results Flow Traders N.V.

Analyst Presentation

8 February 2019

F L O W ■ **T R A D E R S**

AMSTERDAM ■ CLUJ ■ HONG KONG ■ LONDON ■ NEW YORK ■ SINGAPORE

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Record 2018 with a strong finish in 4Q18

4Q18 market trading activity picked up, leading to a strong quarterly result for Flow Traders

ETP market 4Q18

- Market ETP Value Traded grew 73% to € 8.4tn***
- ETP Value Traded was highest level since 2015
- Realized volatility showed a strong pickup, especially in the US
- Market velocity increased as market trading activity rose
- Looking at different asset classes, trading momentum was especially strong in equity, fixed income and specialty ETFs (VIX products) versus 3Q18 **
- Most of increase in Market Value Traded was visible in the top 10 most liquid Equity ETFs in the US

Flow Traders' performance 4Q18

- 4Q18 Net Trading Income (NTI) rose 75% to €74.1m, which is our strongest results ever for the 4th quarter
- 4Q18 Total Value Traded reached € 1.1tn in both ETPs and underlying asset classes, a quarterly increase of 40%
- 4Q18 EBITDA margin was 46%, resulting in a FY18 EBITDA margin of 52%
- 4Q18 EPS reached € 0.56, realizing a FY18 EPS of € 3.46
- Flow Traders opened a London branch office, extended trading into Asian hours on Eurex and became Authorized Participant in the first Crypto Index ETF launched in Switzerland
- Number of platforms connected grew to 161 end 2018
- OTC trading in all financial products grew globally 51% versus 3Q18 to € 174bn, the highest level so far
- Final dividend proposed for 2018 of €1.00, resulting in FY18 dividend of €2.35 or 68% dividend pay out ratio

Flow Traders Total* Value Traded 4Q18:
€ 1.1tn (+40% Q-o-Q)

Flow Traders ETP Value Traded 4Q18:
€ 272.8bn (+49% Q-o-Q)

Flow Traders' OTC Value Traded 4Q18:
€ 174.0bn (+51% Q-o-Q)

Flow Traders' NTI 4Q18:
€ 74.1m (+75% Q-o-Q)

EPS 4Q18:
€ 0.56 (+217% Q-o-Q)

Flow Traders Total Value Traded FY18:
€ 3.6tn (+23% Y-o-Y)

Flow Traders ETP Value Traded FY18:
€ 899.4bn (+31% Y-o-Y)

Flow Traders' OTC Value Traded FY18:
€ 528.3bn (+59% Y-o-Y)

Flow Traders' NTI FY18:
€ 383.4m (+131% Y-o-Y)

Final dividend proposed 2018: € 1.00

* Total Value Traded = ETP Value Traded + Non-ETP Value Traded

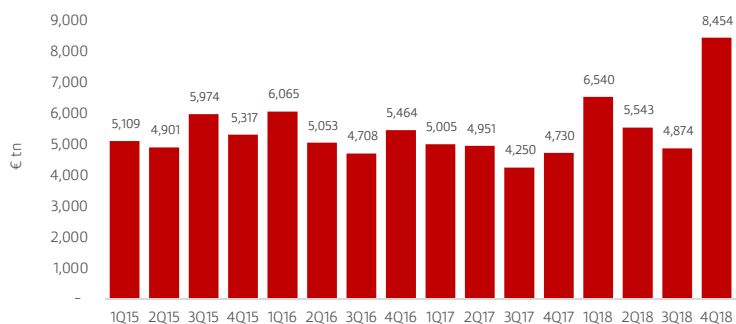
** Source: Blackrock ETP Landscape

*** Source: Bloomberg

Overview ETP market developments in 4Q18

Market trading dynamics picked up in 4Q18, resulting in a growth of 73% in Market ETP Value Traded Q-o-Q

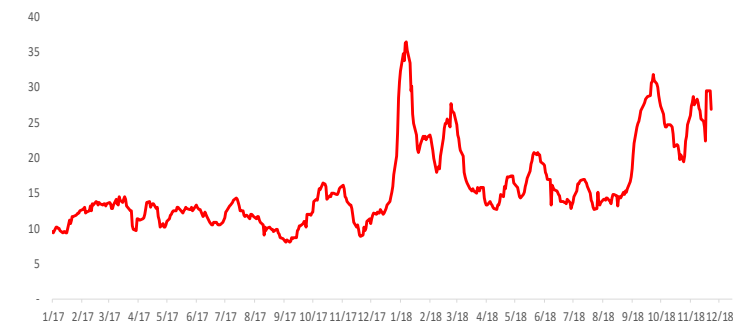
ETP Value Traded development



GENERAL EVENTS IMPACTING GLOBAL MARKETS

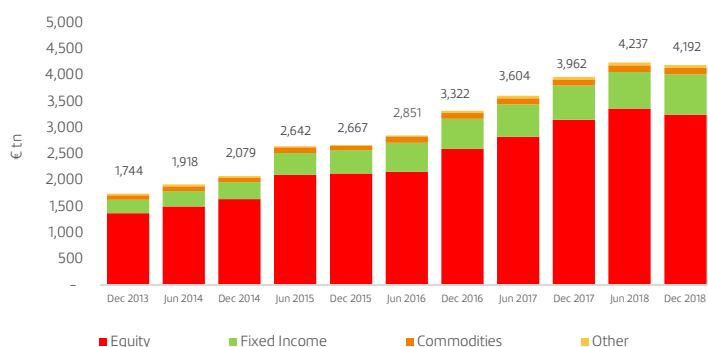
- Developments around Brexit had an impact on market sentiment in Europe
- Discussions between US and China heading towards a next phase
- At the same time political developments in US caused a government shutdown
- More Central Banks let go of QE programs
- Caution on 2019 outlook entered the market as volatility increased in 4Q18

Realized market volatility on daily basis (*)



(*): Based on realized volatility in SPY, MSEF, NKY and MXEF. Source Bloomberg

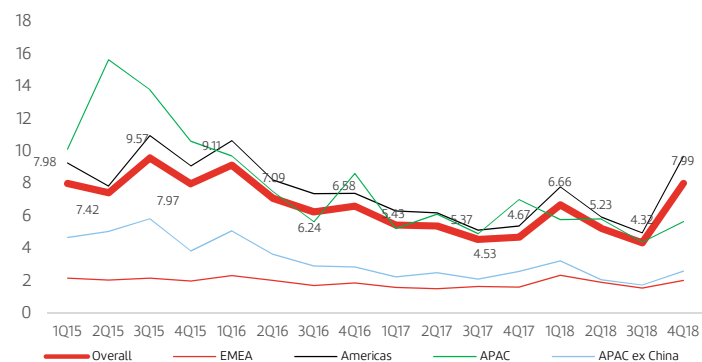
ETP AuM development on Half Year basis



DEVELOPMENTS ETP MARKET

- Global ETP AuM dipped versus June 2018, reaching € 4.19tn end 2018 as Equity ETPs saw outflows from selling pressure in markets
- Global ETP Value Traded grew 34% Y-o-Y in 2018, with 4Q18 being highest value traded since begin 2015
- 4Q18 ETP Value Traded increase was mostly realized in the US
- Global realized volatility picked up considerably in 4Q18
- As a result of the above, ETP Velocity rose by 85% Q-o-Q

ETP Velocity



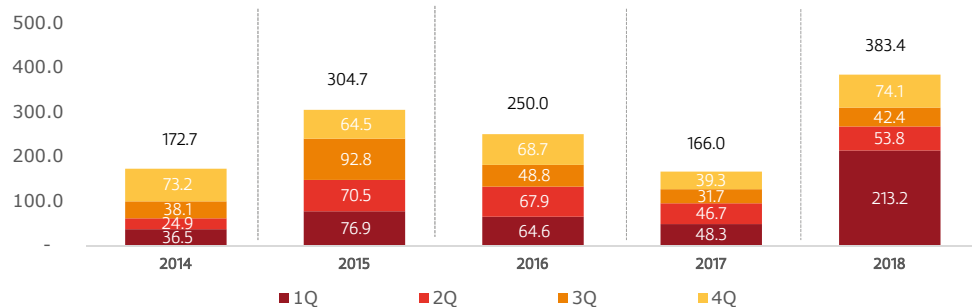
Flow Traders KPIs reflect strong focus on execution and growth

KPIs Flow Traders (*)

Consolidated overview						
In €bn unless otherwise stated	4Q18	3Q18	Δ	FY18	FY17	Δ
Flow Traders ETP Value Traded	272.8	183.2	49%	899.4	685.8	31%
Europe	123.6	96.5	28%	473.9	418.3	13%
Americas	139.5	78.4	78%	391.0	244.6	60%
APAC	9.7	8.3	17%	34.5	22.9	51%
Flow Traders Non-ETP Value Traded	807.4	586.4	38%	2,681.5	2,214.8	21%
Flow Traders NTI (€m)	74.1	42.4	75%	383.4	166.0	131%
Europe	44.4	27.5	62%	153.8	114.7	34%
Americas	13.8	8.1	71%	189.3	34.1	456%
APAC	15.8	6.8	131%	40.4	17.2	134%
Market ETP Value Traded	8,454	4,874	73%	25,412	18,936	34%
Europe	347	281	24%	1,347	1,270	6%
Americas	7,472	4,091	83%	21,800	15,726	39%
APAC	636	502	27%	2,265	1,940	17%
APAC excl. China	291	198	47%	998	767	30%

(*): Market Value Traded is based on Flow Traders Market reference data, corrected for MTF inclusion

Flow Traders NTI since 2014 (in €m)



Europe

- Flow Traders Europe 4Q18 NTI reached € 44.4m (+62% Q-o-Q)
- Flow Traders Europe 4Q18 ETP Value Traded reached € 123.6bn (+28% Q-o-Q)
- FX liquidity providing expanded to more platforms and counterparties
- Liquidity providership in financial products grew 5% Q-o-Q in 4Q18
- Number of counterparties connected to grew 13%, OTC value traded grew 17% Q-o-Q in 4Q18

Americas

- Flow Traders Americas 4Q18 NTI reached € 13.8m (+71% Q-o-Q)
- Flow Traders Americas 4Q18 ETP Value Traded reached € 139.5bn (+78% Q-o-Q)
- Market Value Traded in 4Q18 was influenced by flows in top 10 most liquid products
- Liquidity providership in financial products grew 8% Q-o-Q in 4Q18
- Number of counterparties connected to grew 20%, OTC value traded grew 98% Q-o-Q in 4Q18

APAC

- Flow Traders APAC 4Q18 NTI reached € 15.8m (+131% Q-o-Q)
- Flow Traders APAC 4Q18 ETP Value Traded reached € 9.7bn (+17% Q-o-Q)
- Increased volatility in APAC had a favorable impact on our NTI
- Liquidity providership in financial products grew 3% Q-o-Q in 4Q18
- Number of counterparties connected to grew 10%, OTC value traded was flat Q-o-Q in 4Q18

Strong financial performance in 2018 with tight cost control and strong NTI growth

Consolidated

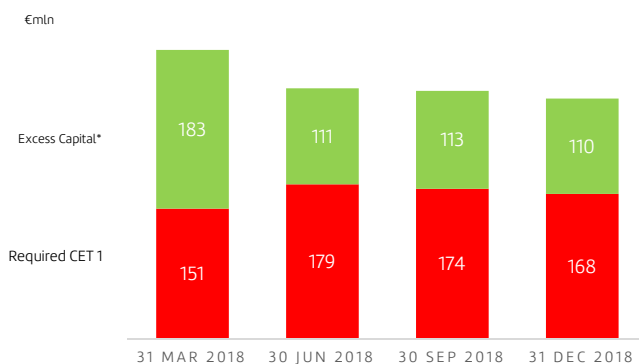
<i>In thousands of euro</i>	4Q18	3Q18	Δ	FY 18	FY 17	Δ
Net Trading Income	74.1	42.4	75%	383.4	166.0	131%
Employee expenses (fixed)	9.6	8.9	8%	36.1	32.2	12%
Technology expenses	8.8	9.1	(3%)	35.4	37.3	(5%)
Other expenses	5.8	5.0	16%	19.3	15.2	27%
Fixed operational expenses	24.2	22.9	6%	90.7	84.7	7%
Employee expenses (variable)	16.0	6.8	136%	92.9	25.2	269%
Total operational expenses	40.3	29.7	35%	183.6	109.9	67%
EBITDA	33.8	12.7	167%	199.8	56.0	257%
Depreciation / Amortisation	2.6	2.4		9.0	7.2	
Write offs tangible assets	0.2	-		0.3	0.5	
(Profit) or loss on subsidiaries	(0.3)	-		(3.4)	(0.1)	
Profit Before Tax	31.4	10.3	204%	193.9	48.4	300%
Tax	5.5	2.2		33.0	8.8	
Net Profit	25.9	8.2	217%	160.9	39.6	306%
<i>EPS (in €)</i>	<i>0.56</i>	<i>0.18</i>		<i>3.46</i>	<i>0.85</i>	
<i>EBITDA margin (in %)</i>	<i>46%</i>	<i>30%</i>		<i>52%</i>	<i>34%</i>	

HIGHLIGHTS

- 2018 overview is based on IFRS, meaning that the variable expenses include the IFRS treatment of the employee participation plans (see appendix)
- 2018 fixed cost grew 7% as Flow Traders executed on its growth strategy through operational optimization while at the same time grow in FTEs supported diversification in trading
- FTEs grew 10.7% Y-o-Y to 436 at year end 2018
- Other expenses reflects impact one off charge due to early termination previous office lease in the US
- Variable compensation pool amounted to 33% of the operational Profit annually, corrected for IFRS
- Cost guidance of fixed cost growth of max. 15% is reiterated for 2019
- 4Q18 Effective tax Rate was 17.5%, FY18 Effective Tax Rate was 17.0%, below guided maximum of 18%
- Reported EPS 4Q18 rose 217% to €0.56 Q-o-Q, leading to a FY18 EPS of €3.46

Capital position Flow Traders: balanced and unleveraged

CET 1 required levels under CRR – Flow Traders NV

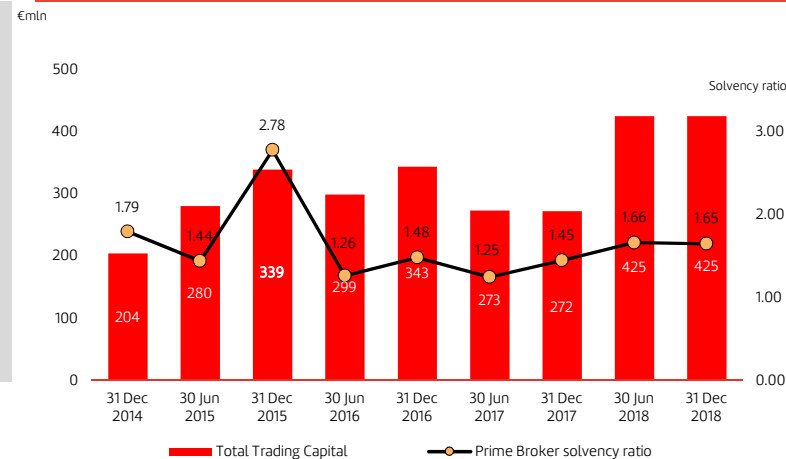


Note *: Excess capital corrected for dividend and numbers are pending DNB confirmation

HIGHLIGHTS ON CAPITAL POSITION

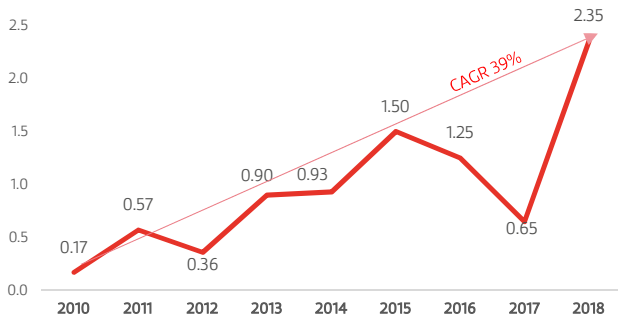
- Flow Traders' trading capital remained comfortably above our Prime Broker requirements and Own Fund Requirements under CRR
- Own Funds Requirement under CRR of €168 million resulted in an excess capital of €110 million as at 31 December 2018
- Prime Broker solvency ratio remained strong with trading capital stable at €425 million

Development of Prime Broker solvency ratio*



Note *: Total Trading Capital divided by Prime Broker haircut

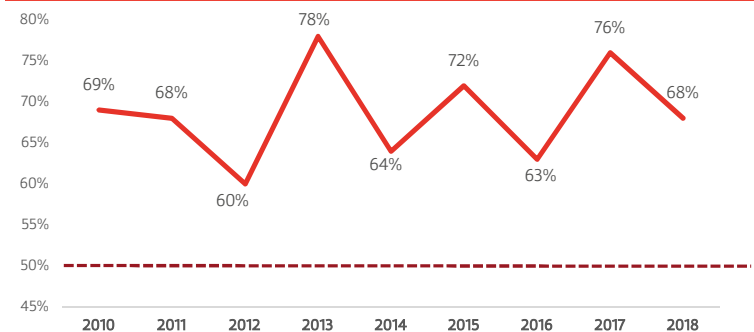
Development of Dividend



HIGHLIGHTS ON DIVIDEND

- Flow Traders pays its annual dividend in two instalments
- Dividend policy was reiterated in 2018 to return at least 50% of its net profits to shareholders
- Flow Traders proposes a final dividend over 2018 of € 1.00, pending AGM approval
- Total dividend proposed over 2018 will be €2.35, representing a dividend pay-out ratio of 68%
- Since IPO Flow Traders paid out €5.75 in dividends

Development of FY Dividend Payout Ratio



Strategy update



2018: Continued focused execution of our growth strategy

Overview of progress made across all strategic areas in 2018

2018 strategic objectives

- “ Continue to focus on growing organically, and be the leading technology-enabled ETP liquidity provider
- “ Continue to grow our global presence with a strong focus on the Americas and APAC region
- “ Accelerate the diversification of trading into new asset classes and related products
- “ Remain cost disciplined, growing fixed expenses by a maximum of 15% annually from 2018 onwards
- “ Continue to focus on the growth initiatives started in 2017 (Hong Kong office, grow global institutional trading and diversification)

2018 achievements

- ✓ Total number ETP counterparties grew to almost 1,000, number of venues connected to grow to 161, number of ETPs traded grew to 6,500 ETPs
- ✓ Consistently grew value traded in all regions, onscreen as well as OTC or on MTFs
- ✓ Increased market share in ETPs in all regions
- ✓ Growth in ETP Value Traded in all regions by 31% Y-o-Y overall, with strong increases in our US and Asian offices
- ✓ Global OTC value traded in ETPs grew 59% Y-o-Y to 38% of total ETP Value Traded
- ✓ Number of venues and products traded grew most in Americas and Asia
- ✓ Now one of 5 registered ETP market makers on the Tokyo Stock Exchange (TSE)
- ✓ Won 4 awards at the HKEX Awards for best market maker
- ✓ Liquidity Providing activities expanded in ETPs and other financial products (Futures, FX, FI) grew 20% Y-o-Y in total
- ✓ Improved trading abilities by implementing enhanced trading logic based on quantitative approach and machine learning
- ✓ FY18 fixed cost grew 7% Y-o-Y, well within guided range
- ✓ Strong cost control in especially Technology development
- ✓ FTE growth +11% Y-o-Y to 436
- ✓ Global institutional trading grew with increased OTC flows traded and diversification
- ✓ Regional expansions with new trading office in Hong Kong
- ✓ London branch office in anticipation of Brexit and to facilitate amongst others institutional trading

2019: Strategy focuses on global growth through diversification and on operational leverage

Foundation built recent years leads to 4 strategic focus areas for 2019 to enable organic growth globally through diversification

Expand presence in ETP trading, both in products and trading relations, especially in the Americas and APAC

Intensify and expand liquidity providing in ETPs and the underlying asset classes globally

Grow technology infrastructure to increase scale and data processing while at same time increase trading efficiency

Continue to operate cost conscious, reiterate fixed expense growth guidance of max 15% annually for 2019 and beyond

Flow Traders will further leverage current platform and trading relationships to facilitate growth

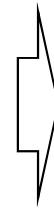
- Flow Traders has a historic strong foothold in ETPs, across all underlying asset classes
- Flow Traders is improving trading capabilities by growing scale in trading financial products while ETP trading remains core
- Flow Traders' best-in-class trading capabilities will enable expansion into new products and asset classes
- Ultimately, Flow Traders will become a one-stop shop liquidity platform in the global financial markets

Flow Traders' current market coverage

● Top coverage
 ● In progress
 ● Less coverage

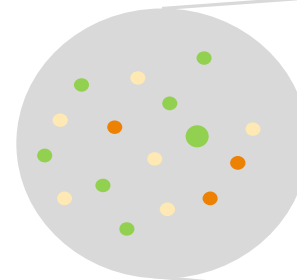
Asset class \ Products	Equity	Fixed Income	Commodities	FX
ETPs	Top coverage	Top coverage	Top coverage	Top coverage
Futures	Top coverage	Top coverage	Top coverage	Top coverage
Spot	Less coverage	In progress	In progress	Top coverage
FWD/NDF	Less coverage	Less coverage	Less coverage	In progress

FICC

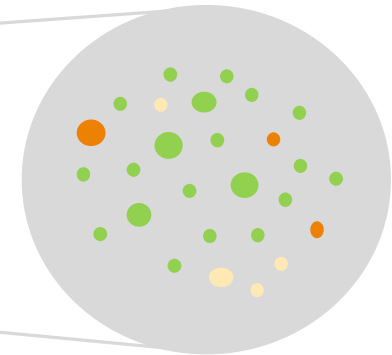


Leveraging our scale and capabilities to diversify into new products & asset classes

Flow Traders' current addressable market



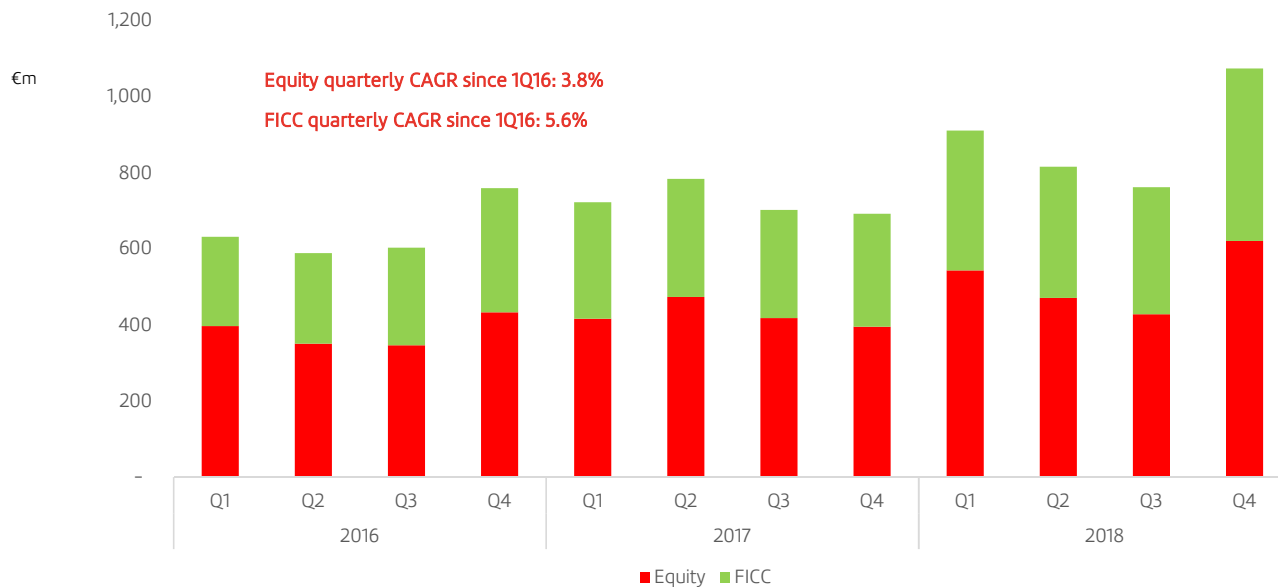
Flow Traders' future addressable market



Structural diversification in Flow Traders' product mix traded already present

To further grow ETP presence globally, diversification of trading is needed

Break up total value traded since 1Q 2016



HIGHLIGHTS

- Presented here is the breakup of Flow Traders' total value traded since 1Q 2016 in Equity and FICC (Fixed income, Currency and Commodity)
- Through time Flow Traders Total Value Traded grew as more financial products were added to the platform
- The Total Value Traded was also influenced by the level of velocity
- Structural diversification in Flow Traders' Value Traded is already taking place in the past years
- Going forward the diversification will lead to a bigger contribution of products outside ETPs to a growing Total Value Traded
- This diversification will further support Flow Traders presence in ETP trading

Q&A

Thank you!

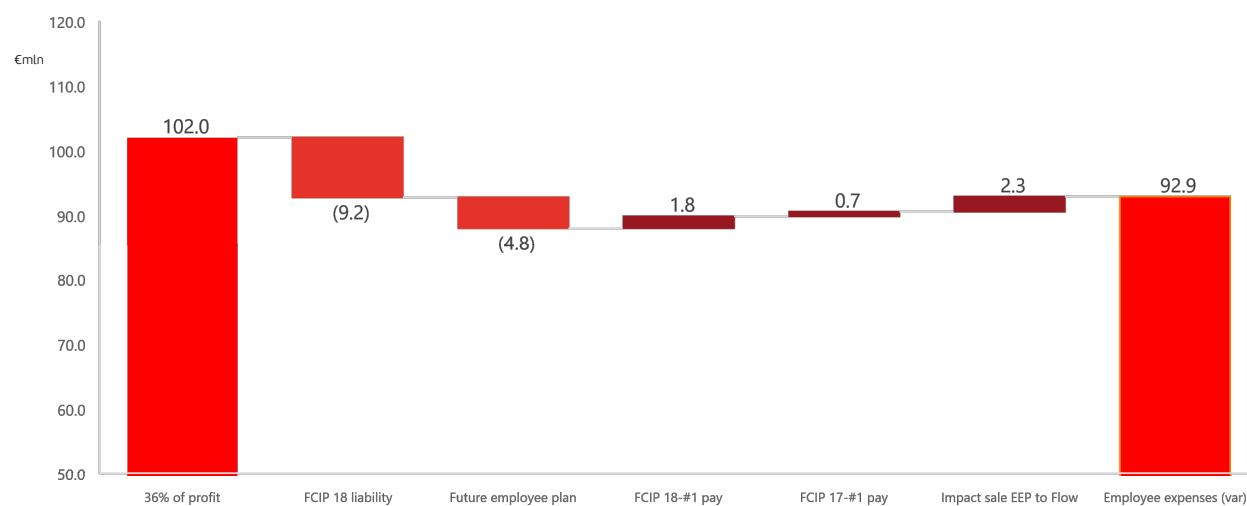
Appendix



Reported vs adjusted P&L – showing impact equity participation plan and other charges

Consolidated

<i>In thousands of euro</i>	Reported 2018	Adj.	Adj. 2018
Net Trading Income	383.4		383.4
Employee expenses (fixed)	36.1		36.1
Technology expenses	35.4		35.4
Other expenses	19.3	(0.8)	18.5
Fixed operational expenses	90.7		89.9
Employee expenses (variable)	92.9	9.1	102.0
Total operational expenses	183.6		191.9
EBITDA	199.8		191.5
Depreciation / Amortisation	9.0		9.0
Write offs tangible assets	0.3		0.3
(Profit) or loss on subsidiaries	(3.4)		(3.4)
Profit Before Tax	193.9		185.6
Tax	33.0		31.6
Net Profit	160.9		154.0
EPS (in €)	3.46		3.31
EBITDA margin (in %)	52%		50%



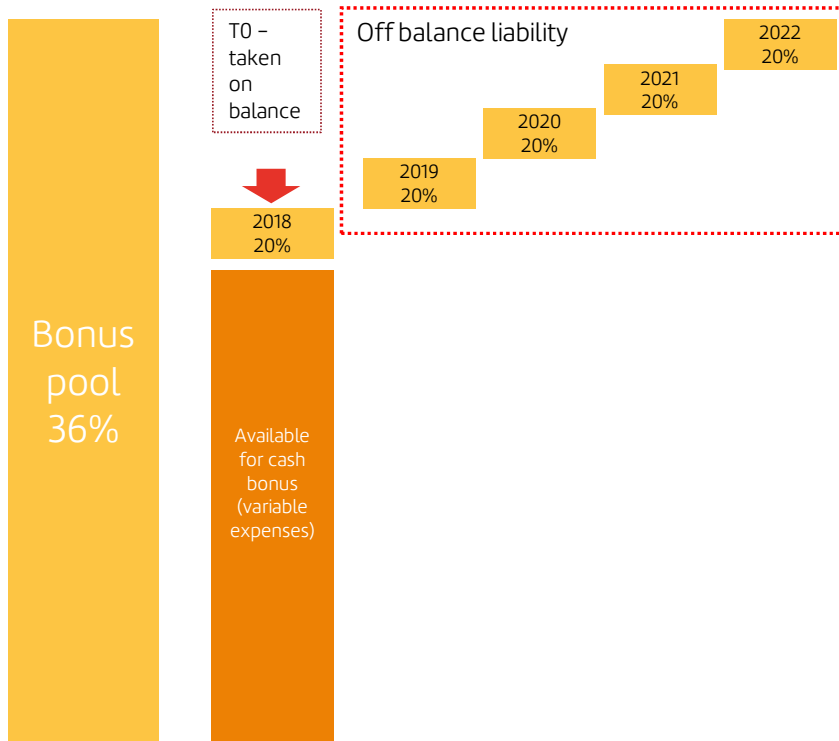
ADJUSTMENTS EXPLAINED

- FY18 reported P&L reports the variable expenses including the off-balance sheet corrections to the variable compensation
- The adjusted P&L shows the impact of the equity participation plan for employees (called FCIP) and the sale of shares under lockup to Flow Traders by employees who left the firm
- Total off-balance liability amounts to € 10.0 m per 31 December 2018 and will be taken on-balance in coming 4 years annually
- Other expenses carries an € 800k non-recurring charge related to an early termination of an US office lease

Overview of the FCIP mechanics

Payment schedule

FCIP plan



FCIP accounting mechanics:

- All 5 future cash incentives are funded out of this years bonus pool
- The cash incentive will only be paid to employees which are employed at the company and still holding shares
- This results in a service condition, IFRS request in that kind of situations to allocate the costs to that year
- These cost will however not impact the bonus pool of that particular year, but as the expenses are taken into the P&L, the % presented in that year will be impacted

Monthly markets update as published over 2018

ETP Market Update December 2018 (unaudited)

	2018												2017		
	Dec	Nov	Oct	Sept	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct
On & Off Exchange* Value Traded - Global (€bn)	3,033	2,321	3,100	1,545	1,699	1,629	1,880	1,794	1,870	2,080	2,478	1,983	1,690	1,605	1,435
On & Off Exchange* Value Traded - EMEA (€bn)	108	107	131	93	91	97	115	126	97	118	139	125	99	108	96
On & Off Exchange Value Traded - Americas (€bn)	2,710	1,994	2,768	1,296	1,438	1,358	1,574	1,473	1,573	1,759	2,178	1,680	1,360	1,262	1,186
On & Off Exchange Value Traded - APAC (€bn)	215	220	201	157	171	174	191	195	200	202	162	178	231	236	154
EMEA - Off Exchange Market Value Traded on MTF** (€bn)	60	58	68	49	48	53	60	65	45	54	66	56	34	36	35
EMEA - Off Orderbook* Market Value Traded (€bn)	7	6	9	6	6	7	9	10	9	10	9	12	22	27	23
Americas - Off Exchange Market Value Traded (€bn)	899	639	812	438	493	463	550	514	538	619	720	674	529	452	448
APAC - On & Off Exchange Market Value Traded in China (€ bn)	125	133	87	93	106	105	123	131	125	102	56	82	166	141	87
Assets under Management*** - Global (€bn)	4,192	4,457	4,363	4,513	4,467	4,359	4,237	4,271	4,045	3,923	3,997	4,055	3,962	3,909	3,883
Assets under Management - EMEA (€bn)	682	715	710	739	732	731	714	721	673	658	667	671	660	652	648
Assets under Management - Americas (€bn)	3,062	3,272	3,195	3,313	3,295	3,209	3,120	3,143	2,977	2,888	2,957	3,015	2,949	2,905	2,891
Assets under Management - APAC (€bn)	448	471	458	461	439	419	403	407	395	377	373	368	354	351	344
# of ETP listings - Global	11,508	11,445	11,425	11,361	11,286	11,250	11,180	11,114	11,095	10,959	10,856	10,751	10,757	10,733	10,691
# of ETP listings - EMEA	5,539	5,522	5,591	5,583	5,579	5,566	5,559	5,551	5,555	5,517	5,433	5,393	5,486	5,527	5,573
# of ETP listings - Americas	4,148	4,103	4,054	4,014	3,980	3,977	3,930	3,878	3,885	3,805	3,815	3,760	3,679	3,634	3,572
# of ETP listings - APAC	1,821	1,820	1,780	1,764	1,727	1,707	1,691	1,685	1,655	1,637	1,608	1,598	1,592	1,572	1,546
Average VIX per month	24.95	19.39	19.35	12.91	12.55	13.15	13.68	14.12	18.27	19.02	22.46	10.99	10.17	10.57	10.13
VIX high per month	36.07	22.48	25.23	14.88	14.78	16.14	17.91	17.02	23.62	24.87	37.32	15.42	14.58	14.51	11.3
VIX low per month	16.44	16.36	11.61	11.68	10.85	12.06	11.64	12.53	15.25	14.64	13.47	8.92	8.9	8.56	9.19

Notes:

*: Off Exchange flow EMEA includes Off Orderbook flow printed on exchange and flows via MTFs. This is still excluding flows via SI

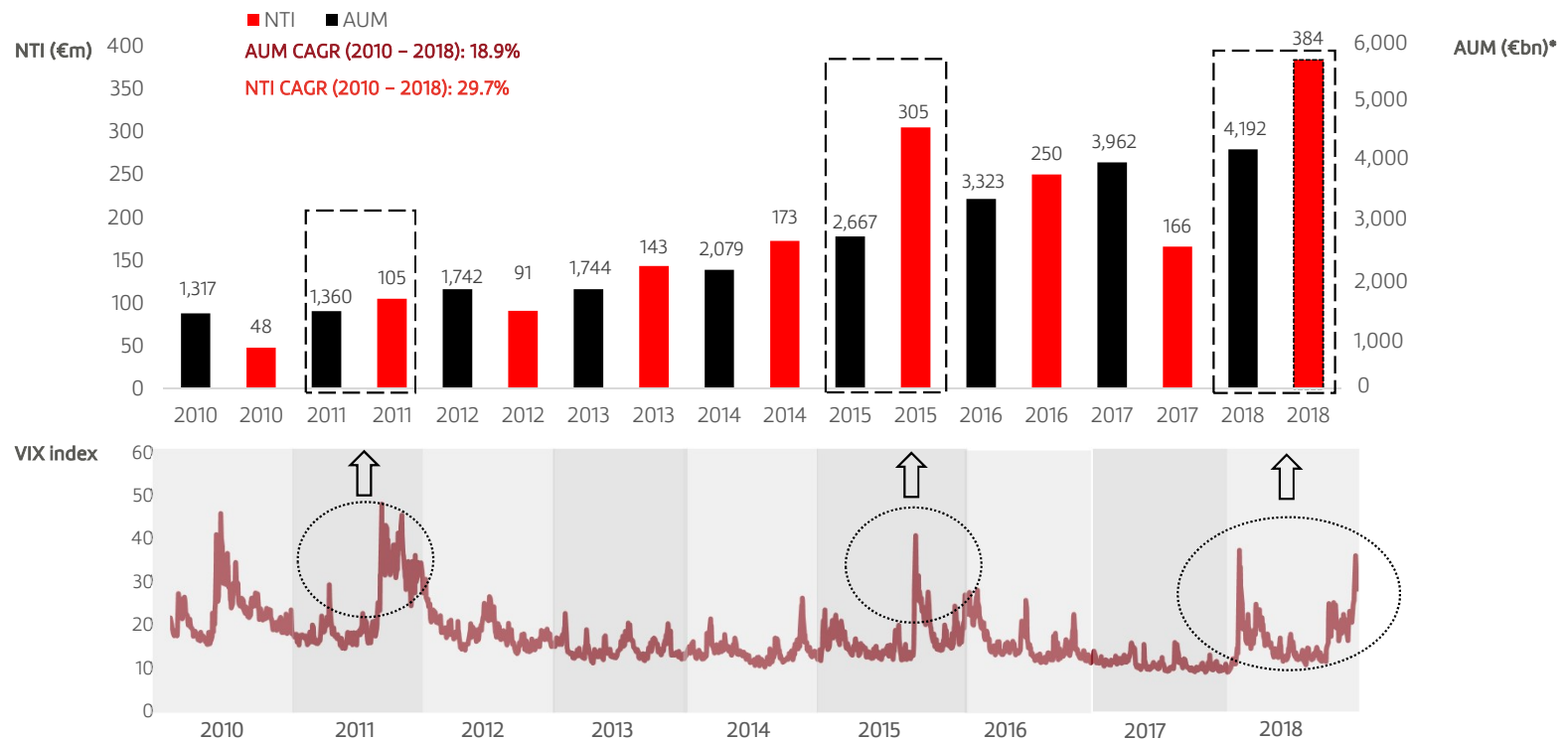
** : Publicly available data about market flows traded on MTFs, representing Tradeweb and Bloomberg RfQ. Last month number is preliminary and may be subject to change

*** Assets under Management estimates as included in Blackrock Global ETP Landscape (published)

Source: Blackrock Global ETP Landscape, Tradeweb, Bloomberg, Flow Traders analysis

Cyclicality of NTI performance Flow Traders through time made visible versus ETP market dynamics

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



Despite varying levels of volatility through the years, Flow Traders NTI growth trend has consistently outperformed the market AUM growth trend since 2010