



# Annual Shareholders Meeting Flow Traders N.V.

24 May 2017

**F L O W** ■ **T R A D E R S**

Amsterdam ■ Cluj ■ Hong Kong ■ New York ■ Singapore

# Agenda

1. Opening and announcements
2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy; determination of dividend
  - a. Annual report including corporate governance
  - b. Management Board remuneration
  - c. Adoption of the annual accounts (voting item)
  - d. Dividend policy and reservations
  - e. Determination of dividend (voting item)
3. Discharge of Management Board members (voting item)
4. Discharge of Supervisory Board members (voting item)
5. Authority to issue shares and restrict or exclude pre-emptive rights
  - a. Authority to issue shares (voting item)
  - b. Authority to restrict or exclude pre-emptive rights (voting item)
6. Authority to acquire own shares (voting item)
7. Auditor (voting item)
8. Any other business and closing

# 1. Opening and announcements

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## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

- A. Annual Report including corporate governance
- B. Management Board remuneration
- C. Adoption of the annual accounts (voting item)
- D. Dividend policy and reservations
- E. Determination of dividend (voting item)



## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

### A. Annual Report including corporate governance

- 1. Management Board report*
- 2. Supervisory Board report*
- 3. Accountant statements*
- 4. Q&A*

### B. Management Board remuneration

### C. Adoption of the annual accounts (voting item)

### D. Dividend policy and reservations

### E. Determination of dividend (voting item)

# Overview performance 2016

- Flow Traders had its best operational year in history
- Regionally we realized a record annual result in the US and strengthened our number 1 position as ETP Liquidity Provider in Europe by growing our market share in the region
- Developments in Asia were addressed and started to show the first improvements. New Hong Kong office has been announced for 2017
- Flow Traders double-digit growth trajectory normalized in 2016 following an exceptional performance in 2015 driven by market conditions
- ETP market growth drivers kept pushing the ETP sector to new highs in 2016. The ETP Assets under Management continued to set new highs, just like the number of ETP listings
- Proposed final dividend of €0.70 brings total dividend for FY16 to €1.25, implying a 63% dividend pay out ratio and a 39% dividend CAGR since 2010
- Strategy focused on organic growth across all regions and expansion into other asset classes

Market ETP Value Traded:

**€ 21,287bn (flat YoY)**

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Flow Traders' NTI :

**€ 250m (-18%% YoY)**

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Proposed Final Dividend 2016:

**€ 0.70**

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Global ETP AuM end 2016:

**€ 3.32tn (+24.5% YoY)**

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Flow Traders' ETP Value Traded:

**€ 640bn (+6% YoY)**

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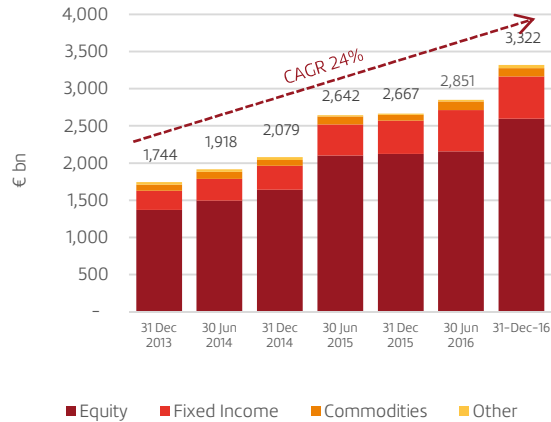
2016 EPS:

**€ 1.98**

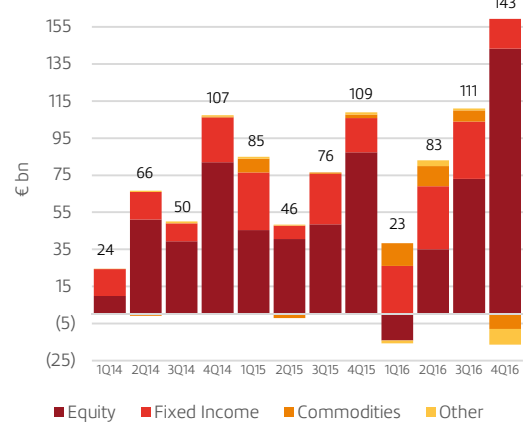
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# Favorable long term trends continued despite speed bumps

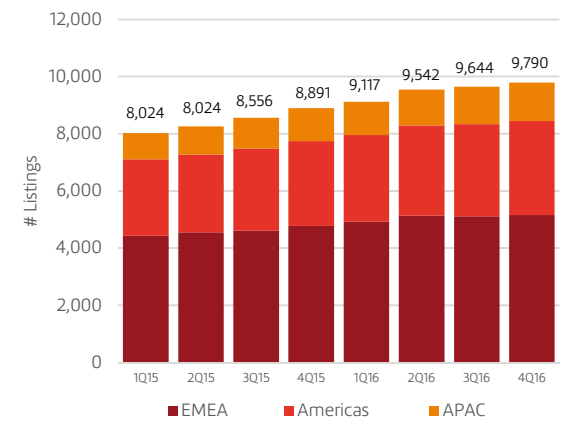
ETP Assets under Management grew 16.6% in 2H16 to another record level



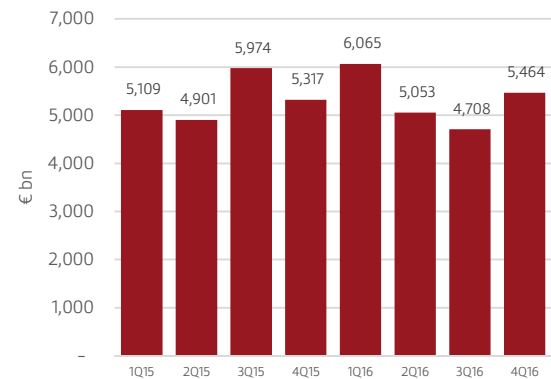
Net inflow\* trends show strong flows in Equity ETPs in 4Q16



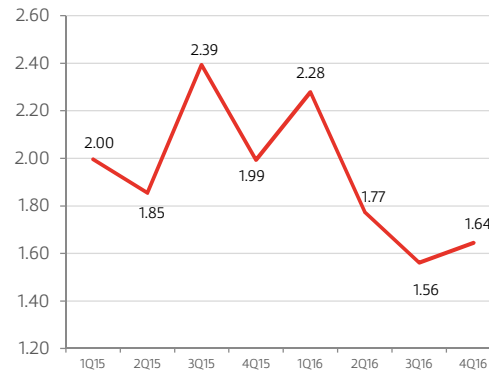
ETP listings increased by 146 versus 3Q16 and predominantly driven by the Americas



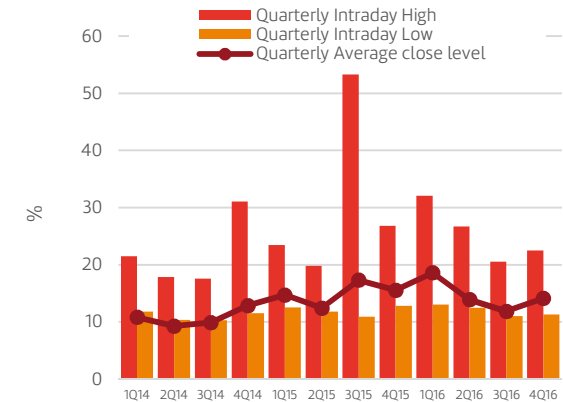
On-Exchange Market ETP Value Traded grew 16% in 4Q16 supporting a strong finish in 2016



Market Velocity \*\* grew quarter-on-quarter as ETP Value Traded rose quicker than Market ETP AuM



VIX rose in 4Q16 versus 3Q16 confirming increase in market activity



\* Source: Blackrock, Flow Traders, Bloomberg

\*\* Market Velocity is the Market ETP Value Traded divided by the Market ETP Assets under Management

# Financial Results 2016

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## Maintained strong EBITDA margin despite increased investments

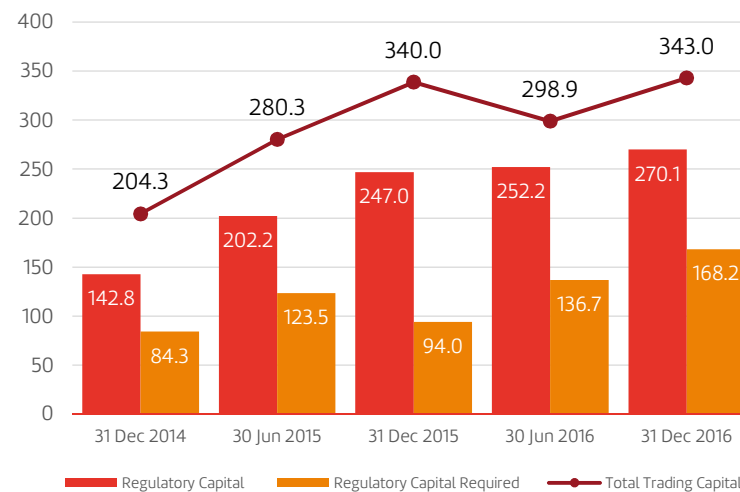
Consolidated (in €m)	FY 2016	FY Adj. 2015	FY 2015	FY16 vs adj. FY15
<b>Net Trading Income</b>	<b>250.0</b>	<b>304.7</b>	<b>304.7</b>	<b>(18%)</b>
Employee expenses (fixed)	(25.9)	(21.5)	(21.5)	21%
Employee expenses (variable)	(58.4)	(88.0)	(121.1)	(34%)
Technology expenses	(34.8)	(27.5)	(27.5)	27%
Other expenses	(12.2)	(11.2)	(13.0)	9%
<b>Operational Expenses</b>	<b>(131.3)</b>	<b>(148.0)</b>	<b>(183.1)</b>	<b>(11%)</b>
<b>EBITDA</b>	<b>118.7</b>	<b>156.7</b>	<b>121.6</b>	<b>(24%)</b>
Depreciation / Amortisation	(6.3)	(6.8)	(6.8)	
Write offs tangible assets	(2.8)	(0.5)	(0.5)	
Result subsidiaries	(0.2)	0.7	0.7	
<b>Profit Before Tax</b>	<b>109.4</b>	<b>150.1</b>	<b>115.1</b>	<b>(27%)</b>
Tax	(17.5)	(21.8)	(17.8)	
<b>Net Profit</b>	<b>91.9</b>	<b>128.3</b>	<b>97.3</b>	<b>(28%)</b>
EPS (in €)	1.98	2.76	2.09	
EBITDA margin (in %)	47%	51%	40%	

# Balance Sheet remains healthy and unleveraged

## Condensed consolidated Financial Position

Condensed Balance Sheet (In €m)			Δ 31 Dec 16
Assets	31 Dec 16	31 Dec 15	vs. 31 Dec 15
Trading Capital	343	340	4
Property, Equipment and Intangible Assets	23	24	(1)
Other Assets	25	19	6
<b>Total Assets</b>	<b>391</b>	<b>383</b>	<b>8</b>
<b>Equity &amp; Liabilities</b>			
Other Liabilities	113	122	(9)
Tax Liabilities	8	14	(6)
<b>Total Liabilities</b>	<b>121</b>	<b>136</b>	<b>(15)</b>
<b>Total Equity</b>	<b>270</b>	<b>247</b>	<b>24</b>

## Development of regulatory capital



## Highlights Dividend 2016

- For the fiscal year 2016 we propose a dividend of € 1.25
- Interim dividend of EUR0.55 was paid in September 2016, leaving a final dividend of € 0.70
- Dividend Payout ratio 63% is above dividend policy limit
- Since 2010 a dividend CAGR of 39%

# Overview Results 1Q 2017

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# 1Q17 key developments & highlights

Flow Traders shows resilient performance in slowest market conditions for over a decade

## ETP market

- Level of volatility in 1Q17 slowed down to the lowest level in over a decade (source: Bloomberg)
- Underlying growth in ETP market continued with global ETP AuM rising 9% q-o-q to € 3,610bn at the end of 1Q17 (Source: BlackRock)
- Especially in Europe a strong rise in ETP AuM was noted (source: Bloomberg/Morningstar)
- Prevailing market sentiment resulted in a drop in total Market ETP value traded by 10% q-o-q
- Market velocity dropped to lowest point since 1Q15

Market ETP Value Traded 1Q17:

€ 4,900 bn (-10% Q-o-Q)

Global ETP AuM end 1Q17:

€ 3,610 bn (+8.6% Q-o-Q)

## Flow Traders

- Flow Traders ETP Value Traded reached € 174.8bn in 1Q17, with ongoing strong momentum in the US
- Flow Traders' 1Q17 ETP Value Traded showed strong growth Y-o-Y (+14%) versus a declining market ETP Value Traded Y-o-Y (-19%)
- Flow Traders' 1Q17 NTI of € 48.3m reflects a resilient performance in historically slow market conditions
- Expenses developed as budgeted in 1Q17, as Technology investments and FTE growth continued
- Flow Traders further strengthened its presence in the ETF markets globally, amongst others by expanding its official liquidity provider ship by 20% Q-o-Q
- Progress made in establishing FX trading and setting up the Hong Kong office
- Continued strong cash flow resulted in further growth of Flow Traders' Regulatory Capital
- Flow Traders had zero loss days in 1Q17, making it over 34 months without a trading loss
- Rollout of strategic initiatives occurred in line with expectations and no changes have been made to our 2017 targets

Flow Traders' ETP Value Traded 1Q17:

€ 174.8bn (-8% Q-o-Q)

Flow Traders' NTI 1Q17:

€ 48.3m (-30% Q-o-Q)

Net Profit 1Q17:

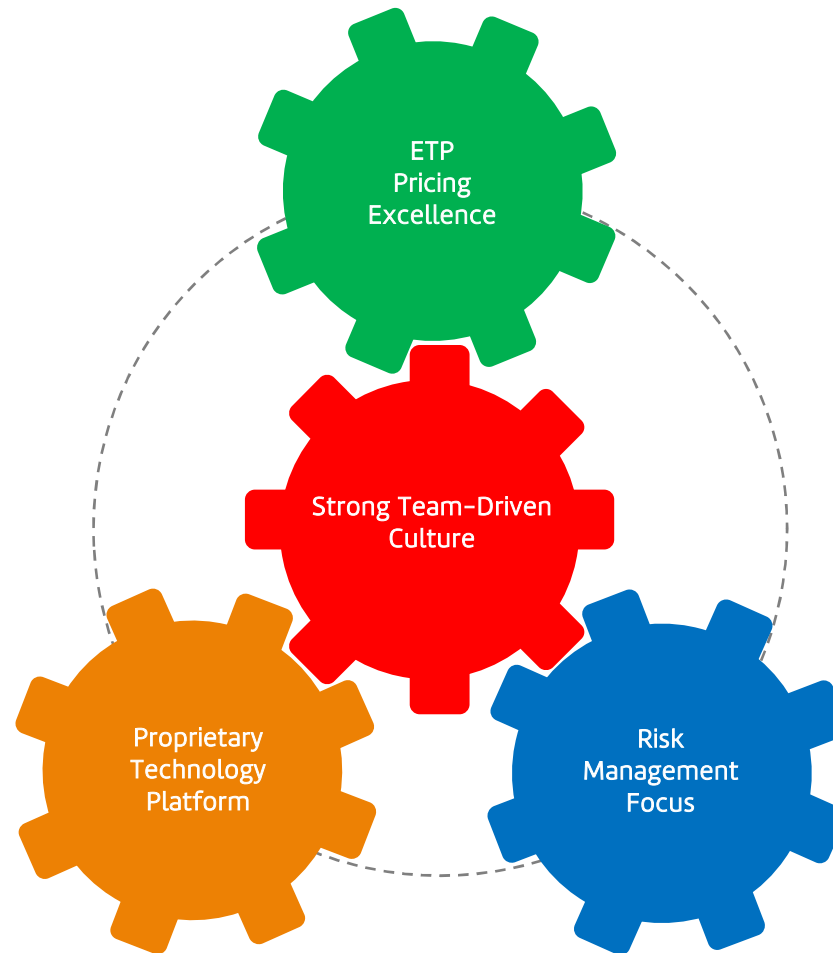
€ 13.6m (-45% Q-o-Q)

EPS 1Q17:

€ 0.29



# Strategic update around our 4 core business competencies



# Maintain competitive edge through ETP pricing excellence



## 2016 Achievements

- Market share up in EMEA and the Americas
- Consistent domination in On & Off-Exchange Trading in Europe
- Growth in number of trading venues
- Growth in number of products traded
- Growth in number of institutional counterparties



## 2017 Objectives

- Expand number of products traded
- Further develop pricing models
- Open Hong Kong office to increase footprint in region
- Grow number of institutional counterparties particularly in the US and Asia
- Explore liquidity providing in other asset classes



# Continually enhance proprietary technology platform

## 2016 Achievements

- Highly resilient trading platform throughout 2016
- Progress technological infrastructure as planned
- Improved ETP Pricing on the back of improved technology
- Adapted Trading platform to OTC trading US

## 2017 Objectives

- Develop Trading Platform further to trade more products in different regions
- Accommodate growth in all asset classes
- Continuously improve performance of our technological infrastructure
- Improve exchange connectivity
- Ensure timely embedding of upcoming regulatory changes



# Maintain risk management focus to warrant long term returns

## 2016 Achievements

- FINRA license granted to engage in OTC trading in US
- Grown in number of Prime Brokers
- No loss days in 2016. Now 31 months without loss days
- Proposed Total Dividend € 1.25
- Almost MiFID II ready
- Proactively engaged with regulators globally

## 2017 Objectives

- Expand and optimize use of Prime Brokers
- Optimize trading- and risk monitoring systems
- Optimize risk controls to keep returns optimal
- Monitor possible positive impact Fiduciary Ruling in the US and MiFID II in Europe
- Optimize capital usage
- Continue to meet requirements for good Corporate Citizenship



# Team-driven culture underpins all initiatives



## 2016 Achievements

- 27% growth in headcount to facilitate growth in all areas
- 35 junior traders hired, of which 17 in Amsterdam
- CFO appointed, Marcel Jongmans, since 1 October 2016
- Improved Employer Branding and Recruitment reach



## 2017 Objectives

- Continue to grow headcount where needed and desired in 2017
- New recruitment initiatives to improve Employer Branding and Talent Pool
- Increase focus Recruitment on Technology sector



# Focus for future growth



## Volume growth

- ✓ Connecting to more trading venues and platforms to capture additional volume
- ✓ Improving our technical infrastructure, to increase the volume we trade on the platforms on which we are already active
- ✓ Increasing the number of institutional counterparties to increase our off-exchange volume
- ✓ Increasing the number of products traded



## Maintaining our desired risk profile

- ✓ Focusing on those financial products we understand fully
- ✓ Continuing to apply a 4-eyes (or more) principle to all essential processes
- ✓ Having all the desired risk controls and redundancies in place
- ✓ Ensuring ongoing compliance with applicable rules and regulations



## Increase Revenue Capture

- ✓ More accurate product pricing through better product and market knowledge
- ✓ Greater pricing and hedging quality by connecting to more exchanges
- ✓ Introducing more advanced technologies to increase the quality of the trades
- ✓ Reducing the variable costs per transaction



## Controlling our fixed cost base

- ✓ Ensuring proper cost accountability across the company
- ✓ Ensuring up-to-date information across the company, regarding available options
- ✓ Ensuring global economies of scale
- ✓ Running a capital-efficient business model

## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

### A. Annual Report including corporate governance

1. *Management Board report*
2. *Supervisory Board report*
3. *Accountant statements*
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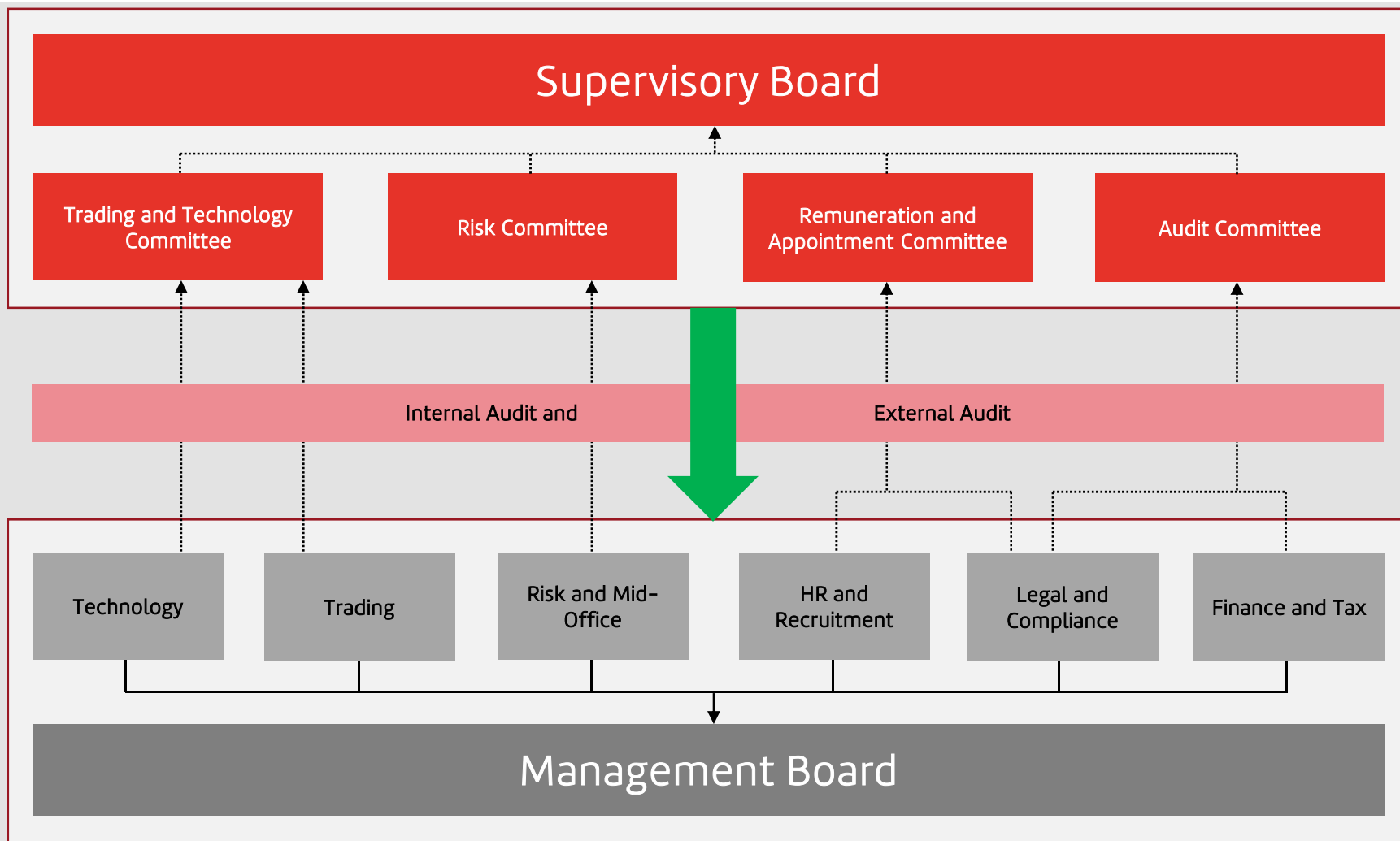
### B. Management Board remuneration

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# Supervisory Board Report





# Supervisory Board Report

Main topics in 2016

Strategy

Senior Management

Evaluation and Governance

Trading and Markets

Risk Management

External Auditor and Internal Audit Function

Employees and Culture

## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

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# Flow Traders N.V.

Audit Report 2016

Ernst & Young Accountants LLP

May 24, 2017



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# Agenda

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- ▶ Conclusions
- ▶ Key Audit Matters
- ▶ Other remarks

# Conclusions

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- ▶ Audit of the financial statements
  - ▶ True and fair view
  - ▶ No unadjusted audit differences
  - ▶ No differences of opinion related to estimates
- ▶ Annual report and Supervisory Board report
  - ▶ Meets legal requirements and corporate governance code and no inconsistencies with financial statements
  - ▶ No material misstatements identified

# Key Audit Matters

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- ▶ Fair value measurement of financial instruments
- ▶ Revenue recognition (net trading income)
- ▶ Reliability and continuity of IT

# Other remarks

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- ▶ Initial audit
- ▶ Oversight
- ▶ Relation with the Board, Supervisory Board and Audit committee

# Ernst & Young Accountants LLP

Ernst & Young Accountants LLP is a limited liability partnership registered in England and Wales with registered number OC335594. Ernst & Young Accountants LLP has its registered office at 1 Lambeth Palace Road, London SE1 7EU, United Kingdom, its principal place of business at Boompjes 258, 3011 XZ Rotterdam, the Netherlands and is registered with the Chamber of Commerce Rotterdam number 24432944.



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## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

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## Q&A

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## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

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# General Remuneration Policy

Key elements of our remuneration practices

Aligned with the business, promoting prudent and risk-aware behavior

Remuneration elements: limited fixed pay; 'no profit, no variable pay'

Variable pay is deferred and subject to reduction or forfeiture

No guaranteed remuneration; limited severance pay; no other benefits

The General Remuneration Policy aims to  
capture firm-wide overarching remuneration principles  
in a comprehensive manner  
For all staff, including members of the Management Board

# Management Board Remuneration – target framework



## Growth

- Hire and retain the talent needed to facilitate growth
- Operate on more venues & platforms, both on- and off-screen
- Increase the number of institutional counterparties
- Cover more products



## External Relationships

- Expand the number of prime brokers
- Ensure continuous compliance with rules and regulations and maintain positive relationships with regulators
- Ensure that the investor community is properly informed



## Internal Process / Excellence

- Improve technical infrastructure
- Improve the pricing and market knowledge
- Reduce (variable) cost of trading
- Have all the desired (risk) controls in place



## People & Culture

- Ensure the four-eyes principle operates throughout the organization
- Reduce key-man dependency
- Maintain the Flow Traders culture, based on Drive, Teamwork and Ownership

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## Agenda item 2c (voting item)

- Adoption of Annual Accounts

*It is proposed to adopt the annual accounts as drawn up by the Management Board and signed by the Management Board and the Supervisory Board on 16 March 2017. EY Accountants N.V. has audited the annual accounts and has issued an auditor's report*

# Test question

Test question: Will Ajax win the Euro League final tonight?

1. For / Yes
2. Against / No
3. Abstain / Don't know





# Test question

Test question: Will Ajax win the Euro League final tonight?

1. For
2. Against
3. Abstain



Enter chipcard on the side with the chip upwards



You may vote now

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# Test question

Test question: Will Ajax win the Euro League final tonight?

1. For
2. Against
3. Abstain

Voting is closed

## Agenda item 2c

- Adoption of the annual accounts

1. For
2. Against
3. Abstain



## Agenda item 2c

- Adoption of the annual accounts

1. For
2. Against
3. Abstain



You may vote now

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## Agenda item 2c

- Adoption of the annual accounts
  1. For
  2. Against
  3. Abstain

Voting is closed

## 2. Annual Report; Management Board remuneration; adoption of the annual accounts; dividend policy and reservations; determination of dividend

- A. Annual Report including corporate governance
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## Agenda item 2e (voting item)

- Determination of Dividend

*It is proposed to the General Meeting that a total cash dividend of €1.25 per share will be paid out to shareholders for the financial year 2016, subject to a 15% dividend tax withholding tax (dividendbelasting). An interim cash dividend of €0.55 per share has been paid out on 7 September 2016. This means that the final cash dividend proposal to the General Meeting is €0.70 per share.*



## Agenda item 2e

- Determination of Dividend
  1. For
  2. Against
  3. Abstain

## Agenda item 2e

- Determination of Dividend
  1. For
  2. Against
  3. Abstain

You may vote now

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## Agenda item 2e

- Determination of Dividend
  1. For
  2. Against
  3. Abstain

Voting is closed

### 3. Discharge of Management Board members (voting item)

*It is proposed to discharge the members of the Management Board from liability in respect of the performance of their management duties to the extent that such performance is apparent from the annual accounts or has been otherwise disclosed to the General Meeting before the resolution is adopted.*

## Agenda item 3 (voting item)

- Discharge of Management Board members
  1. For
  2. Against
  3. Abstain

## Agenda item 3 (voting item)

- Discharge of Management Board members
  1. For
  2. Against
  3. Abstain

You may vote now

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## Agenda item 3 (voting item)

- Discharge of Management Board members
  1. For
  2. Against
  3. Abstain

Voting is closed

## 4. Discharge of Supervisory Board members (voting item)

*It is proposed to discharge the members of the Supervisory Board from liability in respect of the performance of their supervisory duties to the extent that such performance are apparent from the annual accounts or has been otherwise disclosed to the General Meeting before the resolution is adopted.*



## Agenda item 4 (voting item)

- Discharge of Supervisory Board members
  1. For
  2. Against
  3. Abstain

## Agenda item 4 (voting item)

- Discharge of Supervisory Board members
  1. For
  2. Against
  3. Abstain

You may vote now

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## Agenda item 4 (voting item)

- Discharge of Supervisory Board members
  1. For
  2. Against
  3. Abstain

Voting is closed

## 5. Authority to issue shares and restrict or exclude pre-emptive rights

- A. Authority to issue shares (voting item)
- B. Authority to restrict or exclude pre-emptive rights (voting item)

## Agenda item 5a (voting item)

- Authority to issue shares

*It is proposed to renew the authority of the Management Board to, subject to the Supervisory Board's approval, issue ordinary shares or to grant rights to subscribe for ordinary shares for a period of 18 months from the date of this General Meeting (i.e. up to and including 24 November 2018) for up to 10% of the total number of shares issued at the time of the General Meeting for any purposes.*

## Agenda item 5a (voting item)

- Authority to issue shares

1. For

2. Against

3. Abstain

## Agenda item 5a (voting item)

- Authority to issue shares

1. For

2. Against

3. Abstain

You may vote now

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## Agenda item 5a (voting item)

- Authority to issue shares

1. For

2. Against

3. Abstain

Voting is closed



## Agenda item 5b (voting item)

- Authority to restrict or exclude pre-emptive rights

*It is proposed to renew the authority of the Management Board, subject to the Supervisory Board's approval, to restrict or exclude applicable pre-emptive rights when issuing ordinary shares or granting rights to subscribe for ordinary shares as set out in item 5.a. above for a period of 18 months from the date of this General Meeting (i.e. up to and including 24 November 2018).*

## Agenda item 5b (voting item)

- Authority to restrict or exclude pre-emptive rights
  1. For
  2. Against
  3. Abstain

## Agenda item 5b (voting item)

- Authority to restrict or exclude pre-emptive rights
  1. For
  2. Against
  3. Abstain

You may vote now

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## Agenda item 5b (voting item)

- Authority to restrict or exclude pre-emptive rights
  1. For
  2. Against
  3. Abstain

Voting is closed

## 6. Authority to acquire own shares (voting item)

- Authority to acquire own shares

*It is proposed to renew the authority of the Management Board to, subject to the Supervisory Board's approval, acquire shares in the capital of the Company, either through purchase on a stock exchange or otherwise. The authority will apply for a period of 18 months from the date of this General Meeting (i.e. up to and including 24 November 2018), under the following conditions:*

- (i) up to 10% of the total number of shares issued at the time of the General Meeting;*
- (ii) provided that the company will not hold more shares in stock than 10% of the issued share capital; and*
- (iii) at a price (excluding expenses) not less than the nominal value of the shares and not higher than the opening price on Euronext Amsterdam on the day of repurchase plus 10%.*

## Agenda item 6 (voting item)

- Authority to acquire own shares
  1. For
  2. Against
  3. Abstain

## Agenda item 6 (voting item)

- Authority to acquire own shares
  1. For
  2. Against
  3. Abstain

You may vote now

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## Agenda item 6 (voting item)

- Authority to acquire own shares
  1. For
  2. Against
  3. Abstain

Voting is closed



## 7. Auditor (voting item)

- Auditor (voting item)

*In accordance with the recommendations of the Audit Committee, the Supervisory Board proposes to appoint Ernst & Young Accountants LLP as external auditor of the Company for the current financial year.*

# Agenda item 7 (voting item)

- Auditor

1. For

2. Against

3. Abstain

# Agenda item 7 (voting item)

- Auditor

1. For

2. Against

3. Abstain

You may vote now

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# Agenda item 7 (voting item)

- Auditor

1. For

2. Against

3. Abstain

Voting is closed

## 8. Any other business and closing

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If you leave the AGM would you be so kind to return your  
chipcard and keypad

*Thank you!*