

FLOW TRADERS Q223 PRE-CLOSE CALL SCRIPT**Eric Pan – Investor Relations Manager, Flow Traders**

Good afternoon and welcome to the Flow Traders Q2 2023 pre-close call. My name is Eric Pan, Investor Relations Manager at Flow Traders. We're restarting the practice of quarterly pre-close calls given analyst and investor feedback. We are conducting this call post the European market close on 29 June and will also be publishing this script on the Flow Traders Investor Relations website after the call today and going forward. I will read through the entirety of the script and take questions afterwards.

In today's call, I will highlight relevant publicly available data and industry trends in our markets as well as previously published data by Flow Traders before the start of the silent period on 30 June and ahead of the publication of our Q2 and H1 results on 28 July. I will relate these data points to their impact on our business for the quarter.

I will open for Q&A after the script but for the sake of regulatory compliance, I would like to emphasize that I will only answer questions related to previously disclosed publicly available information as of today unless otherwise noted. In addition, I want to stress that developments in specific industry trends may or may not always have the same effect on our performance.

Market Environment

To start off, I would like to highlight the general industry trends in our markets this quarter and the impact on Flow Traders. As most of you are keenly aware, trading volumes around the world across almost all asset classes declined significantly in the quarter, while the decline in volatility translated to fewer dislocations in the market, both of which have a direct negative impact on our business given our role as a market maker providing liquidity to these trading exchanges and platforms.

As for the reasons behind the decline, we believe it to be a cyclical correction in contrast to the increased volumes and heightened volatility we saw over the past year following the start of the conflict in Eastern Europe and tensions in Southeast Asia, as markets digested most of the known risks and few headline events occurred this quarter. We also believe the U.S. debt ceiling issue during the quarter kept some investors on the sidelines.

Diving deeper into each of the relevant asset classes.

Equities

In cash equities, exchange operators Euronext, London Stock Exchange, Deutsche Börse, Nasdaq, NYSE, Hong Kong Stock Exchange, Tokyo Stock Exchange, as well as RFQ platforms such as Tradeweb all reported volume declines of about 30% on average in April and May y/y (+/- 10% depending on the market and product). Volatility, as exemplified by the VIX, VSTOXX, and the Nikkei Volatility Index declined by about a third y/y in April and May to around 17-18, with a further decline of 50% y/y in June to around 13-14.

Fixed Income

Similarly, within the fixed income market, trading volumes in the quarter also experienced up to a 30% decline y/y depending on the category and region, according to data published by TRACE, Tradeweb and MarketAxess.

Digital Assets

Within digital assets, EMEA crypto ETP volumes declined from an ADV of over €100m in 2021 to about €20m in 2023, exemplified by Bitcoin's trading volume declining by over 50% y/y in the quarter. Volatility, as measured by the BitVol index, also declined by close to 30% y/y in the quarter. This is a continuation of the headwinds facing the industry since the FTX collapse last November that was exacerbated in the quarter by the increased regulatory scrutiny in the U.S. While the decline in volumes is disappointing, we believe it better positions the asset class long-term from a regulatory perspective going forward, which benefits Flow Traders as a regulated market participant.

ETP Market Volumes

The general decline in market trading volume and volatility reported by the exchanges and trading platforms is in-line with Flow Traders' previously published Monthly Market Volume Statistics for April and May. April's Market Value Traded in Europe was the lowest amount since August of 2020 and 2021, both seasonally slow summer months. In regards to ETF inflows, May was the low point of the quarter with total net inflows into European-domiciled ETFs declining by 46% compared to April, according to Vanguard. This is significant as ETP creation and redemption remain the core of our business.

Impact on Flow Traders

Coming to Flow Traders' performance, the significant decline in market trading volumes y/y across various exchanges, trading platforms, and asset classes around the world has a direct impact on our Net Trading Income vs. the same period a year ago. In particular, as the majority of our business comes from the European ETP market, the decline there has a greater impact on our NTI than what the overall or average market volume would suggest.

On top of the decline in volume, the 35-50% y/y decline in volatility further pressured our top line in the quarter as it is directly correlated with our revenue capture as spreads tighten significantly in a slow moving market. The combination of the decline in both volume and volatility in the quarter means the impact on our top-line will be greater than either metrics alone.

On the cost front, Normalized Fixed Operating Expenses in the quarter are in-line with our previous guidance of €175-185m. We continuously pursue efficiencies across the business as a matter of course and we will adjust our cost base as necessary given market conditions.

This concludes the initial comments in this pre-close call. Before we move on to the Q&A session, I would like to highlight that we enter our silent period after the market close on 30 June. Shortly after today's call, we will also start collecting consensus estimates with a contribution deadline of 5 July at the close of business, which we will publish on 6 July on our website. Please note that we will publish our Q2 2023 results on 28 July at 07:30 CEST and that the analyst conference call will take place at 10:00 CEST.

I will now take any questions you may have.

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