**August 4th, 2023**

**Re: Periodical Update & Executive Summary: H1/2023 Results**

**General:**

In Q2/2023 we achieved a significant milestone by turning the company profitable and generating a positive cash flow 4 months ahead in comparison to our yearly plan for 2023.

While navigating the highly competitive landscape in the Chinese logistics market, we continue diversifying geographies, and have shifted toward the UK and the USA markets:

During H1/2023 – the accumulated revenue from the UK and the USA markets has crossed 50% of total revenue, a first-time achievement for Exelot. During Q2/2023 and together with the Turkish market, amounts to almost 60% of Exelot's total revenue, while the Chinese market portion is only 40%. We intend to strengthen this trend in H2/2023 and towards 2024.

Additionally, from Q4/2023 we will begin direct sales in the USA with a practical approach to both sales and logistics. Germany will be an additional secondary market for 2024, with the first steps to be taken in Q4/2023. Based on the above results, there is a high probability for Exelot to hit the entire general targets of 2023, by all parameters.

On the side of technology, the development of the Exelot platform V 3.0 is ongoing, with a projected completion date by the end of Q1/2024. This advancement will enable us to support additional segments of customers and present new automatic capabilities. This is along with novel interfaces to new shops and additional logistics vendors in new destination countries (Germany, Australia, UAE, and Saudi Arabia, among others).

**Shipments:** During H1/2023 Exelot operated more than 5.5 million shipments, compared to 7.5 million shipments during all of 2022, and 3.7 million in 2021.

**Financials:**

**Revenue:** Revenue for this period stands at $15.1 million USD, compared to $8 million USD for the parallel period in 2022, and $19.2 million USD for the entire year of 2022.

Notably, approximately 55% of the growth in shipments was for SaaS, and customs clearance plus terminals supervision services, which contributed to around 20% of revenue. The majority of revenue is from last mile services, while less than 12% of revenue is for the full suite service, including the freight and returns service.

**Gross profit**: Exelot has made consistent progress in improving the gross profit per shipment. The gross profit increased in H1/2023, to an average of 16.4%, compared to 14% on average in 2022, and 8%–10% only during 2021. The company remains committed to maintaining, as well as increasing this margin, especially with small & mid-size customers during 2024.

**Expenses:** Since July 2022 the company remains committed to consistently cutting its expenses, resulting in average monthly expenses of $364 K. This figure is only 7% above the original plan of $340 K.Thanks to the revenue growth and this level of costs, enabled the company to achieve a balance and positive cash flow in operation from Q2/2023, compared to the original plan for July-Aug. 2023.

**Profit and Cash:** The profit for the period reached an accumulated of $283 K, compared to a loss of $475 K in the yearly plan for the current year, and a $1.7 million loss (not audited) for the entirety of 2022.

|  |  |  |  |
| --- | --- | --- | --- |
| **In K $ USD** | **H1/2022** | **H1/2023** | **Difference** |
| **Total Sales** | 8,019 | 15,123 | 7,104 / (88.5%) |
| **Direct COGS** | 7,009 | 12,648 | 5,639 |
| **Gross Profit** | 1,010 (16.4%) | 2,475 (12.6%) | 1,465 / (3.8%) |
| **Total Expenses** | 2,580 | 2,185 | -394 |
| **EBIT** | 290 | -1570 | 1,859 |
| **Earnings / (Losses)** | 283 | (1,581) | 1,864 |

**Shareholders’ Meeting:**

We are expected to approve the audit of the financial statements for 2022 shortly and plan to convene the annual general shareholders' meeting via Zoom during Q4/2023.

I wish you and your families a pleasant and enjoyable summer vacation.

**Sincerely,**

**Daniel Cohen, CEO**

**Exelot**