**August 4th, 2023**

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

**General:**

We turned the company from Q2/2023 into profitability and a positive cash flow. This is 4 months earlier than our yearly plan for 2023.

We keep struggling with the very competitive landscape in the Chinese logistics market, but continue diversifying geographies, and do the shift to the UK and the USA markets:

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

From Q4/2023 we will also start direct sales in the USA with a foot-on-the ground for both sales and logistics. An additional secondary market for 2024 will be in Germany, and first steps will be taken there in Q4/2023. Based on the above results there is a high probability for Exelot to hit the general targets for the entire 2023 by all parameters.

On the tech side we continue the development of the Exelot platform V 3.0. We hope to accomplish this version by the end of Q1/2024, to support additional segments of customers, and to present new automatic capabilities. This is along with new interfaces to new shops and to additional logistics vendors in new destination countries (Germany, Australia, UAE, Saudi Arabia and others).

**Shipments:** During H1/2023 Exelot operated more than 5.5 million shipments. This is compared to 7.5 million shipments during the entire 2022 and 3.7 million in 2021.

**Financials:**

**Revenue:** Revenue for this period is $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.

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

**Gross profit**: Exelot continued to improve the gross profit per shipment. The gross profit was 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 plans to keep this margin and to increase it, especially with the small & mid-size customers, during 2024.

**Expenses:** From July 2022 the company consistently cut its expenses. Average monthly expenses are $364 K. This is only 7% above the original plan of $340 K.Thanks to the revenue growth and this level of costs, the company reached a balance and positive cash flow from operation already from Q2/2023, compared to the original plan for July-Aug. 2023.

**Profit and Cash:** The profit for the period accumulated to $283 K, compared to a loss of $475 K in the yearly plan for this year, and to $1.7 million loss (not audited) for the entire year 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 soon, and plan to convene the annual general shareholders' meeting via Zoom during Q4/2023.

Let me wish you and your families a very nice and enjoyable summer vacation.

**Sincerely,**

**Daniel Cohen, CEO**

**Exelot**