29 September 2017

Starcom Plc
("Starcom" or the "Company")

Interim Results
for the 6 months ended 30 June 2017

Starcom (AIM: STAR) which specialises in the development of wireless solutions for the remote tracking, monitoring and protection of a variety of assets, announces its unaudited interim results for the 6 months ended 30 June 2017.

HIGHLIGHTS

- Revenue for the period of $1.9m (H1 2016: $2.5m)
- Loss for the period after tax $925,000 (H1 2016: $613,000). Adjusted for exchange rate differences, the loss was $693,000 (H1 2016: $561,000).
- Gross margin increased to 47% (H1 2016: 38%) reflecting improvement in purchasing efficiency and sales mix
- Excellent progress in developing new sources of revenue, with new strategic agreements already signed as well as in course of negotiation

Avi Hartmann, CEO of Starcom, commented "Although the first half was somewhat slower than expected, we have seen a significant rise in opportunities during the second half and have already signed some significant agreements which we expect to make a material contribution to revenues in 2018. We are also engaged in a number of discussions with other major potential strategic partners who have tested our products successfully."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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Chairman's Statement

I am pleased to report the unaudited interim results of Starcom for the 6 months ended 30 June 2017.

Revenues for the period were $1.9m (H1 2016: $2.5m). Although revenues were lower than the equivalent period last year, the gross margin percentage improved strongly from 38% to 47% (2016 full year 28%). Loss after tax was $913,000 (H1 2016: $613,000). However, after adjusting for exchange rate differences, loss after tax was $693,000 (H1 2016: $561,000).

The reorganisation of our sales team has begun to show results in terms of the volume of activity and the quality of the new leads being generated for our range of products. We continue to focus on securing long term premium quality customers where our technological advantages and flexibility can be appreciated and rewarded. This strategy is now beginning to bear fruit as demonstrated by our recent collaboration/supply and support agreements. We expect that these agreements will begin contributing revenue during the second half of the year and should add materially to revenues in 2018 and beyond.

The agreement with CropX is an example of our technological adaptability, manifested in this case by linking our Kylos Air units to CropX's own innovative agricultural sensors. CropX conducted tests with several companies but finally chose Starcom as their preferred partner. We have received an initial order for 5,000 customised Kylos Air units at a total value of $650,000. Most of this revenue will arise in early 2018 and, provided they are satisfied with the results, we would expect to secure follow on orders.

Another example which demonstrates the increasing acceptance of our products by companies who are world leaders in their field is the new three-year collaboration agreement with a major European industrial group, as announced in September 2017. As with CropX, this agreement was secured after the client had completed a lengthy and detailed technical examination of our R&D capabilities, logistics, manufacturing and service responsiveness. Having met their demanding standards, initial orders have now been placed for 1,200 Kylos Air units as part of the joint development of an Internet of Things (IoT) platform. We would envisage that further orders will follow during this collaboration agreement.

A third example of the long-term client relationships we are building is with the major producer of specialised electric motor bikes which we referred to in the AGM statement in May this year. We continue to work with this company to open up new revenue streams which we expect will commence at the end of 2018. Once again, the client's reliance on our technology and its ability to integrate with their technology indicates confidence in Starcom's products.

Further strategic agreements are in negotiation. We are well advanced in discussions with a major South African security company that is providing services to the cattle and sheep farmers in the greater Johannesburg area. They have selected Kylos Forever, our long-life track and trace unit, as a potential tracking solution and the tests carried out so far have been successful. If this proceeds to contract, it will again contribute to revenues during 2018.

The TETIS product for containers has been accepted by a major shipping company after initial trials in Ghana and in Nigeria. Further tests are under way. If successful, there is the potential for our units being installed into their entire fleet of containers which is of a considerable size and should achieve a reduction in their insurance premiums.

Our client Pinnacle in Kenya, has, at long last begun to connect the Helios units it purchased in 2016 and 2017 to our central control system. So far, 3,500 units have been connected and monthly SAS revenues have now started to be received as a result.

The United Nations organisation that placed orders with us last year following a successful tender have now placed further orders of the Helios Hybrid units. We are participating in another major tender under the United Nations where we are now short-listed. The tender decision is expected in early 2018.

During the period, we relocated our offices outside of Tel Aviv, resulting in annualised savings of approximately $140,000. Further cuts in manpower and related costs should show additional savings of approximately $100,000 on an annualised basis.

PRODUCTS

ZEPPOS
Our mobile phone tracking service was launched earlier in 2017 and is gradually making market penetration. Approximately 300 registered users have signed up so far and we do expect further growth in the near future. Zeppos allows the user to use his mobile device as a tracking unit and we believe it will be popular with dispatchers and fleet managers who do not want to invest in a dedicated tracking system. It can be connected to Starcom online or our Olympia Tracking system to monitor the fleet's vehicles.

WATCHLOCK
We have taken control of the manufacturing and marketing process for this range of products and to date we are showing a 23% increase in sales compared with last year, and our cost to manufacture these products has also been reduced. Our new versions, Watchlock Cube and Watchlock 3, should be launched imminently and initial market response has been very encouraging.

The Watchlock Cube offers the same capabilities as the Watchlock Advanced, providing GPS based location finding in real-time and a notification system to show when the lock is opened or moved from its designated location.

Watchlock 3 will be a completely redesigned product with a revolutionary approach. The cylinder and key of the new Watchlock 3 will be replaced by NFC (Near Field Communications) and Bluetooth authorisation allowing the Watchlock 3 to serve as a security system and access control solution. A keyless solution will be much easier to manage for the end client and will decrease our lead time as the entire production process will be handled by Starcom. Compared to the Watchlock Pro, the Watchlock 3 will have a significant decrease in the product cost, especially when compared with master key systems solutions, and increased profit margin.

TETIS
We are showing a 60% growth in sales since 2016, albeit from a low base. As referred to earlier in this statement, there are significant growth opportunities for this product.

KYLOS
This range has shown the most promise during 2017 as can be seen from the agreements already signed. To meet the market demand, we added Bluetooth facilities to the basic Kylos electronics board. We also added "LoRa" (Low Power Long Range) connectivity to have the advantage of being 'market ready' as this new IoT protocol gains acceptance and becomes standard around the world.

SAS
SAS revenues declined compared with the corresponding period last year. However, we have successfully grown the number of users subscribing to our monitoring service and therefore contributing to our SAS recurring revenue base by approximately 27% over 2016. 68,201 units are now connected to our central SAS system compared with 53,846 units connected in 2016. The full financial impact of these additional users will become evident in the final results for 2017 and beyond. This is the result of some very targeted work in adding competitors' end units to our own platform.

FINANCIAL REPORT

Group revenues for the period were $1.9m, compared with $2.5m for the six months ended 30 June 2016, a decrease of 23%.

The gross margin for the period was 47% showing a significant improvement compared with 38% for same period in 2016 and 27% for the full year 2016. This is due to purchasing efficiency measures as well as a better sales mix that includes a higher share of higher-profit products, such as Watchlock.

Despite savings in a number of General & Administrative expenditure items such as rent and office expenses, there is still a slight increase in general and administrative expenses of 5%. The Company also saw a significant increase in legal expenses.

Operating loss increased to $0.57m (30% of revenues) compared with an operating loss of $0.44m for the six months ended 30 June 2016, an increase of 22%, as a result of an increase in research and development expenses of $0.08 million and an increase in general and administrative expenses.

The Group balance sheet showed a decrease in trade receivables to $1.0m. Group inventories for the period were $2.0m, compared to $1.96m as at 30 June 2016.

Trade payables for the period were $2.1m, compared with $1.4m as at 31 December 2016, showing an increase of $0.7m.

Net cash used in operating activities for the period was $0.17m, compared with $0.23m for the six months ended 30 June 2016.

The net loss for the period was $925,000 (2016: $613,000). However, net assets as at 30 June 2017 have shown a minor improvement, to $2.75m (31 December 2016: $2.74m) reflecting the placing of new shares in March and June 2017.

During the period under review the dollar /shekel exchange rate moved dramatically by approximately 10%. Since most of the Company's costs are shekel based and most of the revenues are in dollars this had an inevitable impact which caused an exchange loss of $220,000. The rates appear now to have stabilised and, in the absence of further major changes, no impact is expected to occur during the second half.

OUTLOOK

As I mentioned in my AGM statement, results for the full year to 31 December 2017 are still expected to show an improvement over 2016 due to the encouraging sales pipeline. The new focus on more strategic, demanding and therefore rewarding clients has already produced results, as can be seen from the higher quality agreements mentioned above. Activity is at a very high level with a view to meeting the stringent requirements of these new customers. Negotiations with other major companies are well advanced which we believe underpins our optimism for improved performance.

STARCOM Plc

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

U.S. Dollars in thousands

	Note	June 30 2017 Unaudited	June 30 2016 Unaudited	December 31 2016 Audited
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment, net		343	332	303
Intangible assets, net	4	2,508	2,624	2,601
Income Tax Authorities		43	28	34
Total Non-Current Assets		2,894	2,984	2,938
CURRENT ASSETS:				

Inventories		1,993	1,955	1,256
Trade receivables (net of allowance for doubtful accounts of $137, $527 and $197 thousand as of June 30, 2017 and 2016 and December 31,2016)		1,011	1,514	1,391
Other receivables		36	60	65
Short-term deposit		53	66	57
Cash and cash equivalents		281	46	35
Total Current Assets		3,374	3,641	2,804
TOTAL ASSETS		6,268	6,625	5,742
LIABILITIES AND EQUITY				
EQUITY		2,752	3,575	2,744
NON-CURRENT LIABILITIES:				
Long-term loans from banks		302	517	372
CURRENT LIABILITIES:				
Short-term bank credit		108	264	265
Short-term loans and current maturities of long-term loans		381	332	314
Convertible debentures		102	-	-
Trade payables		2,101	1,422	1,495
Shareholders and related parties	6	288	377	374
Other payables		234	138	178
Total Current Liabilities		3,214	2,533	2,626
TOTAL LIABILITIES AND EQUITY		6,268	6,625	5,742

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

STARCOM Plc

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

U.S. Dollars in thousands

	Note	Six Months Ended June 30 2017 Unaudited	Six Months Ended June 30 2016 Unaudited	Year Ended December 31 2016 Audited
Revenues		1,922	2,507	5,132
Cost of sales		(1,019)	(1,555)	(3,712)
Gross profit		903	952	1,420
Operating expenses:				
Research and development, net		(134)	(54)	(189)
Selling and marketing		(264)	(295)	(606)
General and administrative		(1,095)	(1,045)	(2,386)
Other income		22	-	24
		(1,471)	(1,394)	(3,157)
Operating loss		(568)	(442)	(1,737)
Net finance expenses	7	(357)	(120)	(208)
Loss before taxes on income		(925)	(562)	(1,945)
Taxes on income from previous years		-	(51)	(67)
Total comprehensive loss for the period		(925)	(613)	(2,012)
Loss per share:				
Basic and diluted loss per share (in dollars)	5	(0.006)	(0.005)	(0.015)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

STARCOM Plc

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

U.S. Dollars in thousands

	Share Capital *	Premium on Shares	Capital Reserve	Capital Reserve for Share-based payment	Accumulated Loss	Total
(Unaudited)						
Balance- January 1, 2017	-	8,332	89	428	(6,105)	2,744
Issue of share capital, net of expenses - see Notes 1(a)3 - 1(a)5	-	912	-	-	-	912
Issue of convertible debentures - see Note 1(a)2	-	-	2	-	-	2
Share based payment	-	-	-	19	-	19
Comprehensive loss for the period	-	-	-	-	(925)	(925)
Balance- June 30, 2017	-	9,244	91	447	(7,030)	2,752
(Unaudited)						
Balance- January 1, 2016	-	7,094	89	407	(4,093)	3,497
Proceeds from issued share capital, net of expenses	-	588	-	-	-	588
Conversion of convertible debentures	-	101	-	-	-	101
Share based payment	-	-	-	2	-	2
Comprehensive loss for the period	-	-	-	-	(613)	(613)
Balance- June 30, 2016	-	7,783	89	409	(4,706)	3,575
(Audited)						
Balance- January 1, 2016	-	7,094	89	407	(4,093)	3,497
Proceeds from issued share capital, net of expenses	-	1,137	-	-	-	1,137
Conversion of convertible debentures and unsecured loans	-	101	-	-	-	101
Share based payment	-	-	-	21	-	21
Comprehensive loss for the year	-	-	-	-	(2,012)	(2,012)
Balance- December 31, 2016	-	8,332	89	428	(6,105)	2,744

* An amount less than one thousand.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

STARCOM Plc

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. Dollars in thousands

	Six Months Ended June 30		Year Ended December 31
	2017	2016	2016
SH FLOWS FROM OPERATING ACTIVITIES:	Unaudited	Unaudited	Audited
mprehensive loss	(925)	(613)	(2,012)
justments to reconcile net loss to net cash used in operating ivities:			
preciation and amortization	267	218	435
erest expense and exchange rate differences	89	10	10
uity settled option-based payment expense	19	2	21
pital gain	(19)	-	-
anges in assets and liabilities:			
crease (Increase) in inventories	(737)	247	946
crease (Increase) in trade receivables	380	(171)	(48)
crease (Increase) in other receivables	29	(16)	(21)
crease (Increase) in Income Tax Authorities	(9)	39	33

U.S. Dollars in thousands

rease in trade payables	676	92	165
rease (Decrease) in other payables	56	(41)	(1)
t cash used in operating activities	(174)	(233)	(472)
SH FLOWS FROM INVESTING ACTIVITIES:			
rchases of property and equipment	(150)	(11)	(19)
oceeds from sales of property, plant and uipment	62	-	-
rease (Decrease) in short-term deposits	4	(3)	6
rchase of intangible assets	(107)	(193)	(350)
t cash used in investing activities	(191)	(207)	(363)
SH FLOWS FROM FINANCING ACTIVITIES:			
payment of short-term bank credit, net	(40)	(6)	(5)
oceeds from a convertible debenture, net	92	-	-
payment of Short-term loans from banks	(31)	-	-
ceipt of long-term loans	46	104	104
crease in notes payable	-	(26)	(26)
oceeds from shareholders and related parties, net	14	81	78
payment of long-term loans	(216)	(141)	(304)
nsideration from issue of shares	746	384	933
t cash provided by financing activities	611	396	780
rease (Decrease) in cash and cash equivalents	246	(44)	(55)
sh and cash equivalents at the beginning of the period	35	90	90
sh and cash equivalents at the end of the period	281	46	35
pendix A - Additional Information			
erest paid during the period	(46)	(20)	(48)
pendix B - Non-cash financing activities			
uance of shares to related parties in payment of salaries from rent periods	100	204	204
uance of shares to supplier in payment of partial debt	70	-	-
nversion to shares of convertible debentures and unsecured ns	-	101	101

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

NOTE 1 - GENERAL INFORMATION

a. The Reporting Entity

1. Starcom plc ("the Company") was incorporated in Jersey on November 28, 2012. The Group specializes in easy-to-use practical wireless solutions that combine advanced technology, telecommunications and digital data for the protection and management of people, fleets of vehicles, containers and assets and engages in production, marketing, distribution, research and development of G.P.S. systems.

   The Company fully owns Starcom G.P.S. Systems Ltd., an Israeli company that engages in the same field, and Starcom Systems Limited, a company in Jersey.

   The Company's shares are admitted for trading on London's Stock Exchange Alternative Investment Market ("AIM").

   Address of the official Company office in Israel of Starcom G.P.S. Systems Ltd. is:
   16 Hata'as St., Kfar-Saba, Israel.

   Address of the Company's registered office in Jersey of Starcom Systems Limited is:
   13-14 Esplanade, St Helier, Jersey JE1 1BD.

2. During March 2017, the Company drawn down $330 thousand from the unsecured convertible loan facility (the "Loan Facility") with YA Global Master SPV Ltd., of which $220 thousand were paid back during June 2017 following the placement that took place at that time.

3. During April 2017, the Company issued 5,007,037 Ordinary Shares to related parties in order to partially set off their credit balances at the sum of $100,000 (£78,055).

4. During May 2017, the Company issued 2,700,000 Ordinary Shares to one of the Company's long term component suppliers in part settlement of its account with the Company at the sum of $69,538 (£54,000)).

5. During June 2017 the Company raised £ 650 ($827) thousand before expenses, through a placing of 43,333,336 new Ordinary Shares of no par value at a price of 1.5p per Placing Share, together with the issue of warrants over new Ordinary Shares on the basis of one warrant for every 5 Placing Shares exercisable at a price of 2.5p per Ordinary Share and will expire twelve months following admission of the Placing Shares to trading on AIM.

6. On June 21, 2017 the Company granted its advisors Options to subscribe for 395,267 new Ordinary Shares at 1.5p per share. The Options are fully vested upon grant. Any unexercised options expire at the end of 5 years from grant.

7. On June 29, 2017 the Company granted its top management and directors Options to subscribe for 16,093,680 new Ordinary Shares at 2.5p per share. The Options vest 2 years after grant. Any unexercised options expire at the end of 10 years from grant.

b. Definitions in these financial statements:

1. International Financial Reporting Standards (hereinafter: "IFRS") - Standards and interpretations adopted by the International Accounting Standards Board (hereafter: "IASB") that include international financial reporting standards (IFRS) and international accounting standards (IAS), with the addition of interpretations to these Standards as determined by the International Financial Reporting Interpretations Committee (IFRIC) or interpretations determined by the Standards Interpretation Committee (SIC), respectively.
2. The Company - Starcom Plc.
3. The subsidiaries - Starcom G.P.S. Systems Ltd. And Starcom Systems Limited.
4. Starcom Jersey - Starcom Systems Limited.
5. Starcom Israel - Starcom G.P.S. Systems Ltd.
6. The Group - Starcom Plc. and the Subsidiaries.
7. Related party - As determined by International Accounting Standard No. 24 in regard to related parties.

NOTE 2 - BASIS OF PREPARATION AND CHANGE IN THE GROUP'S ACCOUNTING POLICIES

a. Basis of preparation

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in International Accounting Standard No. 34 ("Interim Financial Reporting").
The interim consolidated financial information should be read in conjunction with the annual financial statements as of December 31, 2016 and for the year ended on that date and with the notes thereto.
The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2016 are applied consistently in these interim consolidated financial statements.

b. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management of the Company to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
The judgment of management, when implementing the Group accounting policies and the basic assumptions utilized in the estimates that are bound up in uncertainties are consistent with those that were utilized to prepare the annual financial statements.

NOTE 3 - SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD

No significant events have occurred after the reported period.

NOTE 4 - INTANGIBLE ASSETS, NET

	Total
Cost:	
Balance as of January 1 2017	3,938
Additions during the year	107
Balance as of June 30 2017	4,045
Accumulated Depreciation:	
Balance as of January 1 2017	(1,135)
Amortization during the year	(200)
Balance as of June 30 2017	(1,335)

Impairment of assets	(202)
Net book value as of June 30 2017	2,508

	Total
Cost:	
Balance as of January 1 2016	3,588
Additions during the year	193
Balance as of June 30 2016	3,781
Accumulated Depreciation:	
Balance as of January 1 2016	(775)
Depreciation during the year	(180)
Balance as of June 30 2016	(955)
Impairment of assets	(202)
Net book value as of June 30 2016	2,624

	Total
Cost:	
Balance as of January 1 2016	3,588
Additions during the year	350
Balance as of December 31 2016	3,938
Accumulated Depreciation:	
Balance as of January 1 2016	(775)
Depreciation during the year	(360)
Balance as of December 31 2016	(1,135)
Impairment of assets	(202)
Net book value as of December 31 2016	2,601

NOTE 5 SHARE CAPITAL

a. Composition - as of 30 June 2017 common stock of no par value, authorized 212537,720 shares; issued and outstanding - 203,871,053 shares.

b. A Company share grants to its holder voting rights, rights to receive dividends and rights to net assets upon dissolution.

c. See Note 1(a).

d. Weighted average number of shares used for calculation of basic and diluted loss per share:

	June 30		December 31
	2017	2016	2016
Number	157,156,219	120,917,468	131,248,154

NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

a. Related parties that own the controlling shares in the Group are:
Mr. Avraham Hartman (11.0%), Mr. Uri Hartman (11.7%), Mr. Doron Kedem (11.7%).

b. Short-term balances:

	June 30		**December 31**
	2017	**2016**	**2016**
Credit balance	(108)	(119)	(82)
Loans	(180)	(258)	(292)
	(288)	(377)	(374)

c. Transactions:

	Six Months Ended June 30 2017	Six Months Ended June 30 2016	Year Ended December 31 2016
Total salaries, services rendered and related expenses for shareholders	261	187	496

NOTE 7 - NET FINANCE EXPENSES

	Six Months Ended June 30 2017	Six Months Ended June 30 2016	Year Ended December 31 2016
Interest to banks and others	(81)	(22)	(45)
Exchange rate differences	(220)	(52)	(59)
Bank charges	(34)	(38)	(70)
Interest to related parties	-	-	(13)
Interest to suppliers	(22)	(8)	(21)
Net finance expenses	(357)	(120)	(208)

NOTE 8 - SEGMENTATION REPORTING

Segments' differentiation policy:
The Company's management has defined its segmentation policy based on the financial essence of the different segments. This refers to services versus goods, delivery method and allocated resources per sector.
On this basis, the following segments were defined:

Segment information regarding the reported segments:

	Sets	Web	Accessory	Other	Total
Period Ended 30.06.2017:					
Segment revenues	1,067	775	10	70	1,922
Cost of sales	(858)	(96)	(8)	(57)	(1,019)
Gross profit	209	679	2	13	903
Operating expenses					(1,471)
Operating loss					(568)
Period Ended 30.06.2016:					
Segment revenues	1,547	845	25	90	2,507
Cost of sales	(1,364)	(89)	(22)	(80)	(1,555)
Gross profit	183	756	3	10	952
Operating expenses					(1,394)
Operating loss					(442)
Year Ended 31.12.2016:					
Segment revenues	3,128	1,749	44	211	5,132
Cost of sales	3,084	382	40	206	3,712
Gross profit	44	1,367	4	5	1,420
Operating expenses					(3,157)
Operating loss					(1,737)