20 August 2020

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

## Interim Results

Starcom (AIM: STAR), which specialises in the development of wireless, Internet-Of-Things (IoT) based solutions for the remote tracking, monitoring and protection of a variety of assets, announces its results for the six months ended 30 June 2020.

**Highlights**

- Revenues decreased by 25% to $2.3m (H1 2019: $3.1m)
- Recurring SaaS revenues increased by 16% to $1.0m (H1 2019: $0.9m)
- Adjusted EBITDA loss of $167,000 (H1 2019: profit of $75,000)
- Gross margin for the period was 33% (H1 2019:41%)
- Cost reductions and a new bank facility providing financial stability through this uncertain period
- Positive signs for improvement in H2 2020
- Re-engagement with certain clients in Russia and US

**Avi Hartmann, CEO of Starcom, commented:**
"Although these results are below original expectations we are pleased to have been able to deliver in excess of $2 million of revenues in a period when the impact of COVID-19 created an unprecedented situation from March onwards, with many of our clients in complete shutdown. Notwithstanding this, we have managed to stabilise the business by maintaining engagement with customers, ensuring that we are able to support both existing customers, and are prepared to respond to both new opportunities and projects that recommence, as business conditions improve."

For Further Information,


| | |
|---|---|
| **Starcom Plc** | |
| Michael Rosenberg, Chairman | 07785 727595 |
| Avi Hartmann, CEO | +972 5477 35663 |
| | |
| **Allenby Capital Limited** (Nominated Adviser and Joint Broker) | 020 3328 5656 |
| Jeremy Porter/Asha Chotai | |
| | |
| **Peterhouse Capital Limited** (Joint Broker) | 020 7469 0930 |
| Lucy Williams/Charles Goodfellow/Eran Zucker | |
| | |
| **Leander PR** (Financial PR) | 07795 168 157 |
| Christian Taylor-Wilkinson | |

**CHAIRMAN'S STATEMENT**

The results for the first half of 2020 reflect the impact of COVID-19 on the business. Sales dropped by 25% in the period, to $2.34m (H1 2019: $3.1m), EBITDA showed a loss of $167,000 (H1 2019: profit of $75,000) and gross margins decreased to 33% (due to higher logistics and shipment costs).

At the beginning of the year, our expectations for 2020 were to comfortably beat 2019's results, based on a strong pipeline of firm and prospective orders that had been built and the launch of the new product - Lokies. However, the positive early momentum was abruptly stopped by the pandemic. From March 2020 onwards many of our customers were locked down and consequently were unable place orders as expected.

Drastic cost reduction measures were subsequently taken to ensure that the Company's costs were aligned with the lower level of activity and to maintain a stable cash position. Shortly after the period end, an enlarged bank facility was secured to enable the Company to withdraw up to NIS 5 million (approx. $1.4 million) as needed, subject to certain conditions, giving the Company sufficient headroom and confidence during this difficult period, and enabling the Company to come out of it ready for the future. The Company has focused on maintaining customer relationships, with the majority of customer projects being placed on hold as opposed to being cancelled. It is hoped that these projects will be resumed once conditions return to normal.

It was very encouraging to see that despite the challenges the Company has faced during the COVID-19 pandemic, the SaaS revenues continued the positive trend and increased by 16% compared to same period in 2019. This indicates the Company has strong relationships with its customers, who remain loyal to the Company's services.

The Company has used this period to increase the technological developments to its existing product portfolio in order to meet the requirements of new markets. We have continued to strengthen and upgrade the on-line infrastructure supporting the tracking systems and have focused on development of new products, including a new premium Helios unit.

**FINANCIAL REVIEW**

Group revenues for the period were $2.34m, compared with $3.1m for six months ended 30 June 2019.

Recurring SaaS revenues improved to $1.0m (H1 2019 $0.9m)

The gross margin for the period was 33%, compared with 41% for the equivalent period in 2019. The impact of amortization costs (refer also to note 7, in the full financial report for the period), along with lower revenues and extra shipping costs due to the new circumstances arising from COVID-19, resulted in an erosion of the Company's gross margin.

Total operating expenditure decreased by 9% to $1.48m (H1 2019: $1.6m), mainly due emergency cost cutting measures implemented by the management since the beginning of the COVID-19 pandemic.

The Group balance sheet showed decrease in trade receivables to $1.7m, compared with $2.0m as at 31 December 2019 (H1 2019: $1.57m), due to decrease in revenues for the reported period.

Group inventories at the period end were $2.3m, the same as at 31 December 2019.

Trade payables were $1.9m, compared with $2.1m as at 31 December 2019.

Net cash used in operating activities in the period was positive $46,000 compared with nil for the year ended 31 December 2019 (H1 2019: $13,000).

**OUTLOOK**

As a result of the measures taken, including reducing costs and securing additional financing, the Board is confident that the Company is now stabilised and will return to healthy growth once lockdown restrictions are eased. This includes a return to previous gross margins levels as the Company's product shipment costs and logistics return to normal and as the product mix continues to migrate towards the higher margin IoT products. It is anticipated that the second half of this year should show an improvement on first half results but the full return to growth is expected to be delayed until 2021 assuming more normal conditions return.

The innovative Lokies product is expected to be one of the key growth engines for the Company in 2020 and beyond. The agreement and the purchasing plan provided by the Russian distributer signed up in 2019 underpins this assessment, although had been on hold until recently due to COVID-19 restrictions. Also encouraging is the three-year OEM contract recently signed with Cubemonk for the incorporation of our Kylos Air unit into their product. Zero Motorycles is progressing with its own sales of Starcom-integrated motorbikes which may encourage other similar manufacturers to follow.

There are also new opportunities being identified and progressed during this uncertain period. For example, a new three-year agreement has been recently reached with HaZeaka, a long-term customer of Starcom, for the provision of a new Kylos unit, the "Connect", an innovative solution for motorcycle protection that prevents thieves from jamming and disrupting the cellular tracking signal sent from motorcycles to their owners.  We look forward to updating the market further on the progress with this agreement.

The Board believes that its global client base, its advanced technology, strong product offering, recurring SaaS revenues and the substantial sales pipeline that has been built, provide a sound foundation for the Company to grow and develop in the post Covid-19 market.

**Michael Rosenberg**
**Non Executive Chairman**
**Starcom Plc**

**STARCOM Plc**
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**U.S. Dollars in thousands**

| | Note | June 30 2020 Unaudited | June 30 2019 Unaudited | December 31 2019 Audited |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **NON-CURRENT ASSETS :** | | | | |
| Property, plant and equipment, net | | 350 | 460 | 378 |
| Rights of use assets, net | | 208 | 298 | 228 |
| Intangible assets, net | 3 | 1,976 | 2,169 | 2,119 |
| Income tax authorities | | 56 | 49 | 54 |
| **Total Non-Current Assets** | | 2,590 | 2,976 | 2,779 |
| **CURRENT ASSETS :** | | | | |
| Inventories | | 2,348 | 2,287 | 2,346 |
| Trade receivables (net of allowance for doubtful accounts of $89, $14 and $59 thousand as of June 30, 2020 and 2019 and December 31,2019) | | 1,715 | 1,568 | 1,986 |
| Other receivables | | 68 | 195 | 169 |
| Short-term deposit | | 67 | 55 | 61 |
| Cash and cash equivalents | | 278 | 461 | 158 |
| **Total Current Assets** | | 4,476 | 4,566 | 4,720 |
| **TOTAL ASSETS** | | 7,066 | 7,542 | 7,499 |
| **LIABILITIES AND EQUITY** | | | | |
| **EQUITY** | | 3,418 | 4,245 | 3,891 |
| **NON-CURRENT LIABILITIES:** | | | | |
| Long-term loans from banks, net of current maturities | | 123 | 34 | 167 |
| Amortized cost of a convertible loan | 5 | 249 | | |
| Conversion component of a convertible loan at fair value | 5 | 57 | - | - |
| Leasehold liabilities | | 96 | 173 | 115 |
| **Total Non-Current Liabilities** | | 525 | 207 | 282 |
| **CURRENT LIABILITIES:** | | | | |
| Short-term bank credit | | 85 | 68 | 79 |
| Short-term loans and current maturities of long-term loans | | 137 | 333 | 136 |
| Warrants at fair value | 5 | 11 | - | - |
| Trade payables | | 1,888 | 1,751 | 2,081 |
| Shareholders and related parties | 6 | 561 | 664 | 668 |
| Other payables | | 307 | 136 | 227 |
| Leasehold liabilities | | 134 | 138 | 135 |
| **Total Current Liabilities** | | 3,123 | 3,090 | 3,326 |
| **TOTAL LIABILITIES AND EQUITY** | | 7,066 | 7,542 | 7,499 |

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 2020 Unaudited | Six Months Ended June 30 2019 Unaudited | Year Ended December 31 2019 Audited |
|---|---|---|---|---|
| Revenues | | 2,340 | 3,110 | 6,817 |
| Cost of sales | 7 | (1,557) | (1,844) | (4,019) |
| Gross profit | | 783 | 1,266 | 2,798 |
| Operating expenses: | | | | |
| Research and development, net | | (71) | (81) | (231) |
| Selling and marketing | | (292) | (380) | (776) |
| General and administrative | | (1,116) | (1,168) | (2,423) |
| Other income (expenses) | | 25 | (11) | (74) |
| | | (1,454) | (1,640) | (3,504) |
| Operating loss | | (671) | (374) | (706) |
| Net finance expenses | 8 | (45) | (131) | (313) |
| Total comprehensive loss prior to taxes | | (716) | (505) | (1,019) |
| Taxes on income due to previous years | | - . - | - . - | - . - |
| Total comprehensive loss for the year | | (716) | (505) | (1,019) |
| **Loss per share:** | | | | |
| Basic and diluted loss per share (in dollars) | 4 | (0.002) | (0.002) | (0.003) |

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, 2020** | - | 12,254 | 89 | 942 | (9,394) | 3,891 |
| Issue of share capital, net of expenses - see Note 4 | - | 73 | - | - | - | 73 |
| Share based payment – Note 4 | - | - | - | 170 | - | 170 |
| Comprehensive loss for the period | - | - | - | - | (716) | (716) |
| **Balance- June 30, 2020** | - | 12,327 | 89 | 1,112 | (10,110) | 3,418 |
| **(Unaudited)** | | | | | | |
| **Balance- January 1, 2019** | - | 11,460 | 89 | 687 | (8,375) | 3,861 |
| Issue of share capital, net of expenses | - | 794 | - | - | - | 794 |
| Share based payment | - | - | - | 95 | - | 95 |
| Comprehensive loss for the period | - | - | - | - | (505) | (505) |
| **Balance- June 30, 2019** | - | 12,254 | 89 | 782 | (8,880) | 4,245 |
| **(Audited)** | | | | | | |
| **Balance- January 1, 2019** | - | 11,460 | 89 | 687 | (8,375) | 3,861 |
| Proceeds from issued share capital, net of expenses | - | 794 | - | - | - | 794 |
| Share based payment | - | - | - | 255 | - | 255 |
| Comprehensive loss for the year | - | - | - | - | (1,019) | (1,019) |
| **Balance- December 31, 2019** | - | 12,254 | 89 | 942 | (9,394) | 3,891 |

* 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 |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| **CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:** | **Unaudited** | **Unaudited** | **Audited** |
| Comprehensive loss | (716) | (505) | (1,019) |
| **Adjustments to reconcile net loss to net cash provided by (used in) operating activities:** | | | |
| Depreciation and amortization | 360 | 329 | 673 |
| Interest expense and exchange rate differences | 39 | 5 | (6) |
| Share-based payment expense | 170 | 95 | 255 |
| Capital loss | - | 15 | 51 |
| **Changes in assets and liabilities:** | | | |
| Increase in inventories | (2) | (262) | (321) |
| Decrease (Increase) in trade receivables | 271 | 329 | (89) |
| Decrease (Increase) in other receivables | 101 | (108) | (82) |
| Increase in Income Tax Authorities | (2) | (3) | (8) |
| Increase (Decrease) in trade payables | (193) | 340 | 669 |
| Increase (Decrease) in other payables | 45 | (222) | (131) |
| Net cash provided by (used in) operating activities | 73 | 13 | (8) |
| **CASH FLOWS FOR INVESTING ACTIVITIES:** | | | |
| Purchases of property and equipment | (12) | (202) | (220) |
| Proceeds from sales of property, plant and equipment | - | 28 | 53 |
| Decrease (Increase) in short-term deposits | (6) | 5 | (1) |
| Purchase of intangible assets | (103) | (112) | (297) |
| Net cash used in investing activities | (121) | (281) | (465) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from short-term bank credit, net | 6 | 40 | 51 |
| Repayment of Short-term loans from banks | | (189) | (462) |
| Receipt of long-term loans | - | - | 290 |
| Receipt of Convertible loan | 290 | - | - |
| Proceeds from (Repayment to) shareholders and related parties, net | (7) | 83 | 87 |
| Repayment of Leasehold liability | (78) | (58) | (128) |
| Repayment of long-term loans | (43) | (16) | (76) |
| Consideration from issue of shares | - | 780 | 780 |
| Net cash provided by financing activities | 168 | 640 | 542 |
| Increase (Decrease) in cash and cash equivalents | 120 | 372 | 69 |
| Cash and cash equivalents at the beginning of the period | 158 | 89 | 89 |
| Cash and cash equivalents at the end of the period | 278 | 461 | 158 |
| **Appendix A – Additional Information** | | | |
| Interest paid during the period | (26) | (21) | (30) |
| **Appendix B – Non-cash financing activities** | | | |
| Issuance of shares to a related party in payment of debt | 75 | 14 | 15 |

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 to trading on the London Stock Exchange's AIM market.

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:
Forum 4, Grenville Street, St Helier, Jersey, Channel Islands, JE4 8TQ

### 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, 2019 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, 2019 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.

Information about critical judgment in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements is included in the following Notes:
Note 5 - financial liabilities of convertible loans and warrants.

**c.** **Exchange rates:**

| | Six Months Ended June 30 | | Year Ended December 31 |
|---|---|---|---|
| | **2020** | **2019** | **2019** |
| Exchange rate of U.S. $ in NIS | 3.466 | 3.566 | 3.456 |
| Exchange rate of U.S. $ in GBP | 0.81 | 0.79 | 0.76 |
| Change of U.S. $ in NIS | (0.29%) | (4.86%) | (7.8%) |
| Change of U.S. $ in GBP | 6.5% | 0.86% | (2.8%) |

## NOTE 3 - INTANGIBLE ASSETS, NET

| | Total |
|---|---|
| | **Unaudited** |
| **Cost:** | |
| Balance as of January 1, 2020 | 4,755 |
| Additions during the period | 103 |
| Balance as of June 30, 2020 | 4,858 |
| **Accumulated Depreciation:** | |
| Balance as of January 1, 2020 | (2434) |
| Amortization during the period | (246) |
| Balance as of June 30, 2020 | (2,680) |
| Impairment of assets | (202) |
| Net book value as of June 30, 2020 | 1,976 |

| | Total |
|---|---|
| | **Unaudited** |
| **Cost:** | |
| Balance as of January 1, 2019 | 4,458 |
| Additions during the period | 112 |
| Balance as of June 30, 2019 | 4,570 |
| **Accumulated Depreciation**: | |

| | |
|---|---|
| Balance as of January 1, 2019 | (1,977) |
| Amortization during the period | (222) |
| Balance as of June 30, 2019 | (2,199) |
| Impairment of assets | (202) |
| Net book value as of June 30, 2019 | 2,169 |

| | Total |
|---|---|
| | Audited |
| **Cost:** | |
| Balance as of January 1, 2019 | 4,458 |
| Additions during the year | 297 |
| Balance as of December 31, 2019 | 4,755 |
| **Accumulated Depreciation**: | |
| Balance as of January 1, 2019 | (1,977) |
| Amortization during the year | (457) |
| Balance as of December 31, 2019 | (2,434) |
| Impairment of assets | (202) |
| Net book value as of December 31, 2019 | 2,119 |

**NOTE 4 - SHARE CAPITAL**

a. Composition – ordinary shares of no-par value, issued and outstanding – 351,479,801 shares and 345,329,513 shares as of June 30, 2020 and December 31, 2019, respectively.

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

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

| | June 30 2020 | June 30 2019 | December 31 2019 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| Number | 346,892,570 | 314,650,176 | 329,934,018 |

The following table lists the number of share options and the exercise prices of share options during the reported period:

| | June 30, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Unaudited | | Audited | |
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | | £ | | £ |
| Share options outstanding at beginning of period | 49,293,947 | 0.027 | 33,496,480 | 0.037 |

| | | | | |
|---|---|---|---|---|
| Share options expired during the period | (3,340,000) | 0.018 | (492,533) | 0.04 |
| Share options granted during the period | 4,000,000 | 0.015 | 16,290,000 | 0.007 |
| Share options outstanding at end of period | 49,953,947 | 0.027 | 49,293,947 | 0.027 |
| Share options exercisable at end of period | 45,953,947 | 0.028 | 27,587,280 | 0.038 |

d. During May 2020 the Company issued 6,150,288 new ordinary shares in to Mr. Avi Hartmann, the Company's CEO ("Ordinary Shares") at a price of 1 pence per Ordinary Share in order to convert $75 thousand (£61 thousand) of historic unpaid salary. See also Note 6.

## NOTE 5 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS

During March 2020, The Company received from its Directors, CFO and an employee (hereinafter: "the lenders") loans in the total amount of $290 thousand (£244 thousand) in the form of convertible loans enabling the lenders to convert the loans at an exercise price of £0.0125 per share at any time up to September 30, 2021. The convertible loan bears interest at the rate of 8% per annum calculated by reference to the principal amount of the convertible loan.
In addition, the lenders received fully vested warrants to subscribe a total of 4 million further shares at an exercise price of £0.015 per share. Any unexercised warrants expire at the end of two-years from grant.

The loan was evaluated and divided to different components by independent appraisers as follows:
Conversion component at fair value – 59$ thousand
Warrants at fair value – 12$ thousand
Amortized cost of a loan – 210$ thousand

Transaction costs were allocated according to the component's fair value ratio.
The part of the expenses that is attributed to the amortized cost of the loan was reduced from its cost.

An effective interest rate was calculated for the liability component of the loan, based on its amortization table. The effective interest rate is 35.2% per annum.

Total revaluation expenses regarding these components in the statement of comprehensive loss for the reported period amounted $12 thousand, net.

## NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

a. Related parties that own the controlling shares in the Group are:
Mr. Avraham Hartman (8.63%), Mr. Uri Hartman (6.71%), Mr. Doron Kedem (6.71%).

b. Short-term balances:

| | June 30 | | December 31 |
|---|---|---|---|
| | **2020** | **2019** | **2019** |
| | **Unaudited** | **Unaudited** | **Audited** |
| Credit balance | | | |
| Avi Hartmann* | (73) | (196) | (213) |
| Uri Hartmann | (367) | (298) | (336) |
| Doron Kedem | (173) | (166) | (173) |
| Total Credit balance | (613) | (660) | (722) |
| Loans | | | |
| Avi Hartmann | 73 | 6 | 73 |
| Uri Hartmann | (228) | | (226) |

| | | | |
|---|---|---|---|
| Doron Kedem | 207 | (223) 213 | 207 |
| Total Loans | 52 | (4) | 54 |
| Total Short-term balances | (561) | (664) | (668) |

* See also Note 4d.

c. Transactions:

| | Six Months Ended June 30 | | Year Ended December 31 |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | Unaudited | Unaudited | Audited |
| Total salaries, services rendered and related expenses for shareholders | 151 | 193 | 365 |
| Total share-based payment expenses | 72 | 57 | 112 |
| Interest to related parties | 5 | 5 | 9 |

## NOTE 7 - COST OF SALES

| | Six Months Ended June 30 | | Year Ended December 31 |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | Unaudited | Unaudited | Audited |
| Purchases and other | 1,313 | 1,884 | 3,883 |
| Amortization | 246 | 222 | 457 |
| Increase in Inventory | (2) | (262) | (321) |
| | 1,557 | 1,844 | 4,019 |

## NOTE 8 - NET FINANCE EXPENSES

| | Six Months Ended June 30 | | Year Ended December 31 |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| | Unaudited | Unaudited | Audited |
| Exchange rate differences | 22 | (69) | (183) |
| Bank charges | (24) | (40) | (77) |
| Interest to banks and others | (22) | (9) | (31) |
| Interest to suppliers | (16) | (8) | (13) |
| Interest to related parties | (5) | (5) | (9) |
| Net finance expenses | (45) | (131) | (313) |

## NOTE 9 - SEGMENTATION REPORTING

Differentiation policy for the segments:
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:

| | Hardware | SAS | Total |
|---|---|---|---|
| **Period Ended 30.06.2020: (Unaudited)** | | | |
| Segment revenues | 1,296 | 1,044 | 2,340 |
| Cost of sales | (1,348) | (209) | (1,557) |
| Gross profit | (52) | 835 | 783 |
| **Period Ended 30.06.2019: (Unaudited)** | | | |
| Segment revenues | 2,210 | 900 | 3,110 |
| Cost of sales | (1,735) | (109) | (1,844) |
| Gross profit | 475 | 791 | 1,266 |
| **Year Ended 31.12.2019: (Audited)** | | | |
| Segment revenues | 4,796 | 2,021 | 6,817 |
| Cost of sales | (3,805) | (214) | (4,019) |
| Gross profit | 991 | 1,807 | 2,798 |

**NOTE 10- SIGNIFICANT EVENTS DURING THE REPORTED PERIOD (COVID-19)**

Due to the pandemic outbreak since March 2020, most of the countries across the Globe had taken extra measures to prevent and reduce COVID-19 exposure.
Among the actions taken were noted: citizens transport limitations, closing its borders, shutting some business activity, limitation of number of employees per square feet, shutting the educations systems, etc.
The unprecedented conditions resulted in a decrease in revenues for the period. In addition, normal purchasing processes and difficult shipping limitations created additional costs and delays which impacted the fulfilment of some existing orders. Marketing activities were inevitably disrupted
Operational costs were reduced by approximately 20 per cent with effect from March 2020 including unpaid leave for employees.

**NOTE 11- SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD**

The company signed a new financing deal with one of the leading banks in Israel, based on short term accounts receivable balance. Respectively, existing long-term financing was repaid.

-ends-