27 August 2021

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 2021.

Highlights

- Revenues decreased by 3% to $2.27m (H1 2020: $2.34m)
- Recurring SaaS revenues increased by 3% to $1.1m (H1 2020: $1.0m)
- Adjusted EBITDA* loss of $167,000 (H1 2020: loss of $167,000)
- Gross margin for the period was 40% (H1 2020:33%)
- General expenses reduced by 5% to $1.4m (H1 2020: $1.5m)
- Statutory loss for the period of $531,000 (H1 2020: $716,000)
- Strong pipeline of potential new orders over next few months

Avi Hartmann, CEO of Starcom, commented:
"I am delighted that despite the continuous challenges Starcom faced due to the COVID-19 pandemic we managed to show stable results with increased opportunities in the future. We now have several sales prospects we hope to convert when conditions permit, and I am confident that Starcom technology will continue to create value in this and following years."

*Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation and share-based payment expense.

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CHAIRMAN'S STATEMENT

The results for the first half of 2021 still bear the impact of COVID-19. However, there are strong signals that business is starting to revive, and we expect this trend to continue in the next few months.

Revenues in the first six months were similar to those in the equivalent period last year at $2.3m. These revenues comprised a more profitable product mix, with the legacy low margin product, the Helios, coming down to 48% of the hardware sales compared with 62% in 2020.

During the first half Starcom has managed to retain most of its recurrent customers. This is reflected in the SaaS revenues which marginally increased (by 3%), to $1.07 million.

The higher quality revenue mix enabled gross margin to increase to 40% compared with 33% in the same period last year. The improvement in the gross margin was achieved despite the dramatic increase in components and shipping costs imposed on the Company by the unfavourable global conditions.

The electrical components sphere suffered by not only lack of equipment, but extremely long lead times and an increased freight cost. Starcom managed this issue by adjusting its hardware bill of materials ("BOM") several times during the period.

Starcom also continues to monitor and reduce the level of general expenses.

Starcom took the opportunity during this challenging period to add technological strength and value to its products. We managed to add a new low-cost version for Helios to support its needs in certain geographical areas. This hardware solution is expected to create additional and more significant volumes of SaaS revenues in the next few years. We also released a new version of Kylos (called "Kylos E") with an extended battery life of ten years.

Marketing and business development efforts continued, and the pipeline of potential future deals is now at an all time high, although timing of conversions into revenues is still uncertain with some of these prospects. In particular, there has been increased interest and sales of our Lokies product from several sources.

Further to the previous announcement regarding the cooperation with DHL, we can now update that DHL's proof of concept ("POC"), intended to ascertain Lokies's fit for DHL's monitoring of its fleets operation, is expected to be completed in the next couple of months.

A major emergency service provider in Israel, United Hatzalah, has chosen our Helios Pro solution for the deployment of smart lifesaving technology. In partnership with Partner Telecommunication, Starcom is providing smart defibrillator cabinets that can be controlled and monitored by United Hatzalah operators and deployed in public areas for emergency response.

FINANCIAL REVIEW

Revenues for the period were $2.27m, compared with $2.34m for six months ended 30 June 2020.

Recurring SaaS revenues improved to $1.07m (H1 2020 $1.04m).

The gross margin for the period was 40%, compared with 33% for the equivalent period in 2020.

Total operating expenditure decreased by 5% to $1.40m (H1 2020: $1.48m), achieved by continuous cost reduction in headcount and office expenses.

The Adjusted EBITDA loss was $167,000, as it was in the equivalent period in 2020 as the slight decrease in revenues was compensated for by the higher gross margin and the 12% reduction in G&A costs. Accordingly, the statutory loss for the period improved to $531,000 (H1 2020: $716,000).

The balance sheet showed a decrease in trade receivables to $0.7m, compared with $1.7m as at 30 June 2020.

Inventories at the period end were $2.0m, compared with $2.1m as of 31 December 2020.

Trade payables were $1.37m, compared with $1.58m as of 31 December 2020.

Net cash generated in operating activities in the period was $0.2m compared with $0.4m consumed in the period ended 31 December 2020. Cash and cash equivalents at 30 June 2021 was $0.3m.

OUTLOOK

While uncertainty continues, the strong pipeline of potential new deals we have developed in recent months with both existing and new customers give us confidence that Starcom can deliver considerable improvement in results in the second half of this year and beyond. The pandemic has had a significant impact on the Company, but we have managed to stabilise the situation, secure finance and government support, and are ready to leverage our technological advantages. We believe that as global logistics become even more challenging and freight costs spiral up, the security and control that Starcom's solutions provide in the supply chain become more important and increasingly valuable.

Michael Rosenberg
Chairman

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

	Note	June 30 2021 Unaudited	June 30 2020 Unaudited	December 31 2020 Audited
ASSETS				
NON-CURRENT ASSETS :				
Property, plant and equipment, net		325	350	318
Rights of use assets, net		260	208	330
Intangible assets, net	3	1,811	1,976	1,900
Income tax authorities		56	56	56
Total Non-Current Assets		2,452	2,590	2,604
CURRENT ASSETS :				
Inventories		2,030	2,348	2,127
Trade receivables (net of allowance for doubtful accounts of $583, $89 and $607 thousand as of June 30, 2021 and 2020 and December 31,2020)		734	1,715	1,129
Other receivables		74	68	81
Short-term deposit		148	67	150
Cash and cash equivalents		328	278	264
Total Current Assets		3,314	4,476	3,751
TOTAL ASSETS		5,766	7,066	6,355
LIABILITIES AND EQUITY				
EQUITY		1,641	3,418	2,101
NON-CURRENT LIABILITIES:				
Long-term loans from banks, net of current maturities		265	123	303
Amortized cost of a convertible loan	5	287	249	254
Conversion component of a convertible loan at fair value	5	16	57	42
Leasehold liabilities		170	96	236
Total Non-Current Liabilities		738	525	835
CURRENT LIABILITIES:				
Short-term bank credit		1	85	25
Short-term loans and current maturities of long-term loans		958	137	751
Warrants at fair value	5	6	11	10
Trade payables		1,373	1,888	1,579
Shareholders and related parties	6	665	561	615
Other payables		254	307	303
Leasehold liabilities		130	134	136
Total Current Liabilities		3,387	3,123	3,419
TOTAL LIABILITIES AND EQUITY		5,766	7,066	6,355

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

26th august 2021	Igor Vatenmacher
Date of Approval of the Financial Statements	Director

STARCOM Plc
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. Dollars in thousands

	Note	Six Months Ended June 30 2021 Unaudited	Six Months Ended June 30 2020 Unaudited	Year Ended December 31 2020 Audited
Revenues		2,271	2,340	5,041
Cost of sales	7	(1,356)	(1,557)	(3,374)
Gross profit		915	783	1,667
Operating expenses:				
Research and development, net		(137)	(71)	(206)
Selling and marketing		(294)	(292)	(580)
General and administrative		(978)	(1,116)	(2,680)
Other income (expenses)		21	25	24
		(1,388)	(1,454)	(3,442)
Operating loss		(473)	(671)	(1,775)
Net finance expenses	8	(58)	(45)	(270)
Total comprehensive loss for the period		(531)	(716)	(2,045)
Loss per share:				
Basic and diluted loss per share (in dollars)	4	(0.002)	(0.002)	(0.006)

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)	-	12,328	89	1,123	(11,439)	2,101
Balance- January 1, 2021						
Issue of share capital, net of expenses - see Note 4	-	109	-	-	-	109 -
Share based payment – Note 4	-	-	-	(38)	-	(38)
Comprehensive loss for the period	-	-	-	-	(531)	(531)
Balance- June 30, 2021	-	12,437	89	1,085	(11,970)	1,641
(Unaudited)						
Balance- January 1, 2020	-	12,254	89	942	(9,394)	3,891
Issue of share capital, net of expenses	-	73	-	-	-	73
Share based payment	-	-	-	170	-	170
Comprehensive loss for the period	-	-	-	-	(716)	(716)
Balance- June 30, 2020	-	12,327	89	1,112	(10,110)	3,418
(Audited)						
Balance- January 1, 2020	-	12,254	89	942	(9,394)	3,891
Proceeds from issued share capital, net of expenses	-	74	-	-	-	74
Share based payment	-	-	-	181	-	181
Comprehensive loss for the period	-	-	-	-	(2,045)	(2,045)
Balance- December 31, 2020	-	12,328	89	1,123	(11,439)	2,101

* 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
	2021	2020	2020
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:	**Unaudited**	**Unaudited**	**Audited**
Comprehensive loss	(531)	(716)	(2,045)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	366	360	725
Interest expense and exchange rate differences	33	39	50
Share-based payment expense	(38)	170	181
Changes in assets and liabilities:			
Decrease (Increase) in inventories	97	(2)	219
Decrease (Increase) in trade receivables	395	271	857
Decrease (Increase) in other receivables	7	101	88
Increase in Income Tax Authorities	-	(2)	(2)
Increase (Decrease) in trade payables	(97)	(193)	(502)
Increase (Decrease) in other payables	(49)	45	40
Net cash provided by (used in) operating activities	183	73	(389)
CASH FLOWS FOR INVESTING ACTIVITIES:			
Purchases of property and equipment	(41)	(12)	(18)
Proceeds from sales of property, plant and equipment	-	-	-
Decrease (Increase) in short-term deposits	2	(6)	(89)
Purchase of intangible assets	(173)	(103)	(281)
Net cash used in investing activities	(212)	(121)	(388)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from short-term bank credit, net	(24)	6	(54)
Receipt (Repayment) of Short-term loans from banks	176	-	739
Receipt of long-term loans	-	-	312
Receipt of convertible loan	-	290	290
Proceeds from (Repayment to) shareholders and related parties, net	50	(7)	57
Repayment of Leasehold liability	(67)	(78)	(162)
Repayment of long-term loans	(42)	(43)	(299)
Consideration from issue of shares		-	-
Net cash provided by financing activities	93	168	883
Increase (Decrease) in cash and cash equivalents	64	120	106
Cash and cash equivalents at the beginning of the period	264	158	158
Cash and cash equivalents at the end of the period	328	278	264
Appendix A – Additional Information			
Interest paid during the period	(30)	(26)	(69)
Appendix B – Non-cash financing activities			
Issuance of shares to a related party in payment of debt	109	75	74

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 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, 2020 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, 2020 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
	2021	**2020**	**2020**
Exchange rate of U.S. $ in NIS	0.30	0.28	0.311
Exchange rate of U.S. $ in GBP	0.72	0.81	0.732
Change of U.S. $ in NIS	(3.53%)	(0.29%)	(6.97%)
Change of U.S. $ in GBP	(1.64%)	6.5%	(3.68%)

NOTE 3 - INTANGIBLE ASSETS, NET

	Total
	Unaudited
Cost:	
Balance as of January 1, 2021	5,036
Additions during the period	173
Balance as of June 30, 2021	5,209
Accumulated Depreciation:	
Balance as of January 1, 2021	(2,934)
Amortization during the period	(262)
Balance as of June 30, 2021	(3,196)
Impairment of assets	(202)
Net book value as of June 30, 2021	1,811

	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	(2,434)
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
	Audited
Cost:	
Balance as of January 1, 2020	4,755
Additions during the year	281
Balance as of December 31, 2020	5,036
Accumulated Depreciation:	
Balance as of January 1, 2020	(2,434)
Amortization during the year	(500)
Balance as of December 31, 2020	(2,934)
Impairment of assets	(202)
Net book value as of December 31, 2020	1,900

NOTE 4 - SHARE CAPITAL

a. Composition – ordinary shares of no-par value, issued and outstanding – 364,726,576 shares and 351,479,801 shares as of June 30, 2021 and December 31, 2020, 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 2021	June 30 2020	December 31 2020
	Unaudited	Unaudited	Audited
Number	352,245,828	346,892,750	349,205,037

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

	June 30, 2021		**December 31, 2020**	
	Unaudited		**Audited**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		£		£
Share options outstanding at beginning of period	49,953,947	0.028	49,293,947	0.027
Share options expired during the period	-	-	3,340,000	0.018
Shares options exercised during the period	3,560,000	0		
Share options granted during the period	4,000,000	0.018	4,000,000	0.015
Share options outstanding at end of period	50,393,947	0.028	49,953,947	0.027
Share options exercisable at end of period	44,560,614	0.030	45,953,947	0.028

d. During May 2021 the Company
   1. Issued 3,000,000 new share options to executive management and additional 1,000,000 share options to other employees. The executive management options will be exercisable, subject to their continued employment with the Company, over three years as to one third at 1.5p per share from the first anniversary of the date of grant, one third at 2p per share from the second anniversary of date of grant and one third at 2.5p per share from the third anniversary of date of grant
   The employees' options will become exercisable, subject to their continued employment with the Company, at 1.25p per share over three years as to one third for each anniversary of the date of grant.
   2. Issued 9,686,775 new ordinary shares in lieu of 60% of director fees for 14-18 months ending May 31 2021 in a total amount of £77 thousands ($109 thousands). The shares were issued at 0.8p per share, being the most recent closing offer price for ordinary shares.

e. During May 2021 the Company's CEO and its Board of directors chairman exercised 3,560,000 options granted to them under the Company’s share option scheme in lieu of salary and fees, as announced on 17 June 2019. The options were exercisable at nil cost.

NOTE 5 - FINANCIAL LIABILITIES OF CONVERTIBLE LOANS AND WARRANTS

a. 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 are as follows:

	Loan component	**Option**	**Warrant**
Balance as of January 1, 2020	-	-	-
Additions during the period	210	59	12
Finance (income) expenses	73	(17)	(2)
Payments	(29)	-	-
Balance as of December 31, 2020	254	42	10
Additions during the period	-	-	-
Finance (income) expenses	43	(26)	(4)
Payments	(10)	-	-
Balance as of June 30, 2021	287	16	6

NOTE 6 - SHAREHOLDERS AND RELATED PARTIES

a. Related parties that own the controlling shares in the Group are:
Mr. Avraham Hartman (9.13%), Mr. Uri Hartman (6.47%), Mr. Doron Kedem (6.47%).

b. Short-term balances:

	June 30		December 31
	2021	**2020**	**2020**
	Unaudited	**Unaudited**	**Audited**
Credit balance			
Avi Hartmann	(47)	(73)	(56)
Uri Hartmann	(446)	(367)	(444)
Doron Kedem	(173)	(173)	(173)
Total Credit balance	(666)	(613)	(673)
Loans			
Avi Hartmann	31	73	87
Uri Hartmann	(237)	(228)	(236)
Doron Kedem	207	207	207
Total Loans	1	52	58
Total Short-term balances	(665)	(561)	(615)

c. Transactions:

	Six Months Ended June 30		Year Ended December 31
	2021	**2020**	**2020**
	Unaudited	**Unaudited**	**Audited**
Total salaries, services rendered and related expenses for shareholders	192	151	312
Total share-based payment expenses	2	72	80
Interest to related parties	5	5	10

NOTE 7 - COST OF SALES

	Six Months Ended June 30		Year Ended December 31
	2021	**2020**	**2020**
	Unaudited	**Unaudited**	**Audited**
Purchases and other	997	1,313	2,655
Amortization	262	246	500
Increase in Inventory	97	(2)	219
	1,356	1,557	3,374

NOTE 8 - NET FINANCE EXPENSES

	Six Months Ended June 30		Year Ended December 31
	2021	2020	2020
	Unaudited	Unaudited	Audited
Exchange rate differences	25	22	(140)
Bank charges	(31)	(24)	(43)
Interest to banks and others	(43)	(22)	(62)
Interest to suppliers	(4)	(16)	(16)
Interest to related parties	(5)	(5)	(10)
Interest income from deposits	-	-	1
Net finance expenses	(58)	(45)	(270)

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	SaaS	Total
Period Ended 30.06.2021: (Unaudited)			
Segment revenues	1,197	1,074	2,271
Cost of sales	(1,220)	(136)	(1,356)
Gross profit	(23)	938	915
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
Year Ended 31.12.2020: (Audited)			
Segment revenues	2,833	2,208	5,041
Cost of sales	(3,070)	(304)	(3,374)
Gross profit (loss)	(237)	1,904	1,667

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 have taken extra measures to prevent and reduce COVID-19 exposure.
Among the actions taken were noted: citizens transport limitations, closing of borders, shutting some business activity, limitation of number of employees per square feet, shutting the education 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

The Group submitted applications and secured both government supported loan for long term amounted $315 thousand and grants amounted $300 thousands.

The continuing cases of COVID-19 and the developments surrounding the pandemic have had a negative impact on the Group's business. Significant events affecting the overall economy have historically had an impact on revenue volumes, with the full extent of the impact generally determined by the length of time the event influences decisions as well as general economic conditions. The COVID-19 outbreak and resulting economic conditions have had, and the Group believes will continue to have, an adverse impact on its operations and on its financial results and liquidity, and such negative impact may continue well beyond the containment of the outbreak.

The Group has taken, and plans to take further actions to manage its liquidity, including reducing operating expenses and strict cash flow monitoring, due to its uncertainty to assure its assumptions used to estimate its liquidity requirements will be correct because it has never previously experienced such a change in demand, and as a consequence, its ability to be predictive is uncertain. In addition, the duration of the pandemic is uncertain. However, based on current operational assumptions, the Group believes it has adequate liquidity beyond the next twelve months.

Note 11 - SIGNIFICANT EVENTS AFTER THE REPORTED PERIOD

During July 2021 the Company issued 6,251,162 new share options to certain directors ("Fee Options") at a price of 1.075 pence per share in order to reduce fees by £5,600 per month, for a twelve-month period until 31 May 2022. The Fee Options will vest one year after grant date and can be exercised from that date until 10 years from date of grant.