



PRESS RELEASE

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Sarine's Net Profit Jumps 238% to US\$5.0 Million in Q4 2016 on Record Q4 Revenue

- *Positive macroeconomics, healthy consumer demand for polished diamonds, robust supply of rough diamonds at economically viable prices and absence of inventory overhang underpinned continued industry recovery*
- *Record 24 Galaxy™ family systems delivered to customers in Q4 2016, expanding total installed base to 299 as of 31 December 2016*
- *Recurring revenue contributed to approximately 40% of total revenue and trade revenues (contributions from Sarine Profile™ and its components) accounted for approximately 2% of overall revenue in FY2016*
- *Strong balance sheet as of 31 December 2016 with cash and cash equivalents totaling US\$38.0 million and no debt*
- *Final dividend of US 2.5 cents per share declared and total payout for FY2016 will amount to US 4.5 cents per share, an increase of 50% over FY2015*

Singapore, 26 February 2017 – Singapore Exchange Mainboard-listed Sarine Technologies Ltd ("**Sarine**" or "**the Company**", and with its subsidiaries "**the Group**") (U77:SI), a worldwide leader in the development, manufacture and sale of precision technology products for the evaluation, planning, processing, finishing, grading and trading of diamonds and gemstones, today announced a strong set of financial results for the fourth quarter and full year ended 31 December 2016.



Financial Results Review

Business conditions in the diamond industry continued their steady recovery through the end of 2016 with positive macroeconomics, healthy consumer demand for polished diamonds, robust supply of rough diamonds at economically viable prices and an absence of inventory overhang. Against this backdrop, Sarine delivered a record 24 Galaxy™ family systems to customers in Q4 2016, comprising 15 new Meteor™ small stone machines, 7 Solaris™ machines, 1 Galaxy™ system and 1 Galaxy™ Ultra system. Buoyed by increased capital equipment sales and higher recurring revenue, group revenue rose 53% to a fourth quarter record of US\$18.9 million in Q4 2016.

In line with the higher revenue, gross profit for the quarter rose 67% to US\$13.6 million and gross profit margin improved from 65% in Q4 2015 to 72% in Q4 2016. Although additional operating expenses were incurred to support heightened sales activities, profit from operation rose significantly by 209% to US\$6.3 million. The jump in pre-tax profitability led to higher income tax expenses. Nevertheless, net profit attributable to shareholders rose by a substantial 238% to US\$5.0 million.

For the full year 2016, Group revenue grew 50% to US\$72.5 million on higher capital equipment sales and an increase in recurring revenue. The Group delivered a total of 84 Galaxy™ family systems during the year, bringing the total installed base to 299 systems as of 31 December 2016. With an expanded base, recurring income stream remained strong and contributed approximately 40% of overall revenue. Notably, trade revenues, a category comprising revenue contributions from the Group's new polished diamond line of products and services, the Sarine Profile and its various components, accounted for approximately 2% of total revenue. With the strong sales performance, net profit for FY2016 rose 401% to US\$18.0 million.

To reward shareholders, the Board has declared a final dividend of US 2.5 cents per share, comprising US cents 2.0 as per the dividend policy and a bonus dividend of US cents 0.5, subject to shareholders' approval at the Annual General Meeting. Together with the half-year interim dividend, total payout for FY2016 will amount to US 4.5 cents per share, an increase of 50% compared to US 3.0 cents per share for FY2015.



Prospects

Sarine expects the current favourable conditions in the diamond industry to continue underpinning a healthy level of manufacturing activities in FY2017. However, the Group does not expect its record delivery of 84 Galaxy™ family systems in FY2016 to be exceeded or replicated in FY2017. "Some of the demand may have come from our launch of the Meteor™ under attractive introductory terms which are no longer offered. As of 1 January 2017, we have updated our pricing of the various models' ongoing use fees. We expect new orders to slow in the short term as the market adjusts to our new terms," explained Mr. David Block, COO of the Sarine Group and designated new CEO, as of 1 May 2017.

The Group is also optimistic about the prospects for its offerings to the polished diamond trade. "We are seeing interest in our sales programs utilising Sarine Profile™ grow significantly compared to a year ago, with increasing momentum from both large regional and national chains as well as high-end independents. We hope to double the number of stones scanned for the Sarine Profile™ in FY2017 and target to grow trade revenues to around 5% of overall Group sales" added Mr. Block.

Besides accelerating the penetration of Sarine Profile™, the Group is also focusing on rolling out new products in its pipeline. The Group is currently testing its new technologies for Clarity and Colour grading on a large scale in India and has scheduled commercialisation for Q3 2017. Similar to the business model for the Galaxy™ family systems, commercialisation of these new technologies will follow the recurring revenue model based on the carat weight of each graded stone. In addition to broadening the revenue base, these technologies will also expand the recurrent revenue of the Group.

This press release should be read in conjunction with Sarine's FY2016 results announcement released on 26 February 2017 to the Singapore Exchange.



About Sarine Technologies:

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing, and finishing systems for diamond and gemstone production. Sarine products include diamond Cut, Color and light performance grading tools, the Galaxy™ family of inclusion mapping systems, rough diamond planning optimisation systems, laser cutting and shaping systems, laser-marking and inscription machines and polished diamond visualisation systems. Sarine systems have become essential gemology tools in every properly equipped gem lab, diamond appraisal business and manufacturing plant, and are today considered essential items by both diamond dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>.

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