



PRESS RELEASE

FOR IMMEDIATE RELEASE

Sarine Reports Revenue of US\$45.7m and Net Profit of US\$5.2m for 9M 2017

- *Recurring revenues remained stable and accounted for over 46% of 9M 2017 revenue*
- *Sales programs utilising Sarine Profile™ continued to expand in the Asia Pacific region and North America*
- *Demand for capital equipment weakened as diamond manufacturing activities slowed in Q3 2017 due to above average seasonal stocking of polished inventories*
- *Balance sheet remained solid with short-term bank deposits, cash and cash equivalents totaling US\$27.8 million and no debt*
- *Following the launch of Sarine's new technologies for automated polished diamond Clarity and Colour grading in Q3 2017, issuance of grading reports and revenue contribution expected from Q1 2018*

Singapore, 13 November 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 its financial results for the third quarter and nine months ended 30 September 2017.

9M and Q3 2017 Financial Results Review

For 9M 2017, the Group recorded a decrease of 15% in revenue to US\$45.7 million. The decrease was mainly attributed to lower sales of capital equipment in Q3 2017. Due to the buildup of higher than normal inventories of polished diamonds in the mid-stream in the third quarter, manufacturers slowed production and reduced capital



expenditures. The sales of Sarine's inclusion mapping systems were also affected by the illicit competition and related uncertainties. Nevertheless, the Group did not experience any significant drop in the number of stones processed by its installed base. Recurring revenues remained stable and accounted for over 46% of Group revenue.

With lower revenue, gross profit declined 16% to US\$30.9 million, with gross profit margin virtually flat at 68%. The Group also incurred higher operating expenses in 9M 2017. Research and development expenses rose primarily due to increased employee-related expenses resulting from the weakening of the US dollar against the Israeli NIS and higher outsourcing expenses related to the Clarity technology development. Additional sales and marketing expenses were incurred to support the continued expansion of Sarine's polished diamond retail-sales offerings in the Asia Pacific region. General and administrative expenses rose with higher third-party professional fees, mainly related to IP protection. Due to lower revenue and higher operating expenses, net profit declined to US\$5.1 million in 9M 2017.

For Q3 2017, Group revenue fell 35% to US\$11.3 million. Due to the decrease in the volume of sales, the Group recorded a net loss of US\$0.5 million during the quarter.

Prospects

In spite of slower diamond manufacturing activities in Q3 2017, end-consumer demand in most of the significant retail diamond markets remains robust. "Barring any unforeseen negative developments, we expect the polished inventory levels to be reduced by wholesale buying commencing after the holiday season, which typically provides for the return to normal industry activity in Q1," commented, Mr. David Block, CEO of the Group. As for the illicit competition, the Group is fully committed to defend and enforce its intellectual property rights. Besides taking legal action against violators, the Group is also working on additional technological and commercial initiatives on several fronts to curtail and/or contain the illicit activities.

To expand its recurring revenue base, the Group continues to increase market penetration for sales programs utilising the Sarine Profile™. In addition to planned launches with additional major retail chains in the Asia Pacific region, the rollout has



also expanded in North America. The Group expects recurring revenues from polished diamond retail-related segment to grow with new customers, program expansion by existing customers and the new automated diamond grading service.

Following the launch of Sarine's new technologies for automated Clarity and Colour grading of polished diamonds, the Group has commenced initial talks with launch customers. Issuance of polished diamond grading reports and initial revenue contribution can be expected from Q1 2018

This press release should be read in conjunction with Sarine's Q3 2017 results announcement released on 13 November 2017 to the Singapore Exchange.

About Sarine:

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, Clarity, 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 standard tools in every properly equipped gemology lab, diamond appraisal business and manufacturing plant, and are essential aids for both diamond dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>.

Contact:

APAC IR

Cyrus Capital Consulting
Mr. Lee Teong Sang
Tel: +65-9633 9035
teongsang@cyrus.com.sg

North America IR

MS-IR LLC
Ms. Miri Scharia-Segal
Tel: +1-917-607-8654
msegal@ms-ir.com

Sarine Technologies Ltd

Marketing & Communications
Tel: +972-9-7904148
marketing@sarine.com