



PRESS RELEASE

FOR IMMEDIATE RELEASE

Sarine Benefited from Improvement in Business Sentiments Late in Q4 FY2017

- *Recurring revenues accounted for just under half of FY2017 revenue as installed base of Galaxy™ family systems expanded to 345 as at 31 December 2017*
- *Balance sheet remains healthy with short-term deposits, cash and cash equivalents totaling US\$29.1 million and no debt*
- *The Group targets to double the number of stones scanned as sales programs utilising Sarine Profile™ continue to expand in China, Japan and ASEAN countries*
- *With its newly introduced AI-based 4Cs automated grading capability and Sarine Diamond Journey™ augmenting Sarine Profile™, the Group will drive polished diamond retail-related revenues up by offering value-added packages to customers*

Singapore, 25 February 2018 – 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 fourth quarter and full year ended 31 December 2017.

Financial Results Review

As business sentiments in the diamond manufacturing sector improved somewhat towards the very end of 2017, Sarine recorded revenues of US\$12.9 million in Q4 2017, an improvement of 15% over Q3 2017. The increase was mainly attributed to higher sales of diamond manufacturing related capital equipment. The Group delivered



11 Galaxy[®] family systems to customers, comprising 6 Galaxy[®] systems and 5 Meteor[™] systems, during the quarter.

Driven by increased revenue, gross profit was higher in Q4 2017 compared to Q3 2017. However, gross profit margin was marginally lower at 65% due to changes in product mix. The Group incurred lower operating expenses in Q4 2017 compared to Q3 2017. While the decline in operating expenses was primarily attributed to the reversal in Q4 2017 of accrued incentive-based compensation, the drop in research and development expense was also due to the reduction in actual spending, as the Clarity and Color technologies progressed beyond their intensive development phases, and general and administrative expense declined also due to lower third-party professional fees. With higher revenues and lower operating expenses, the Group recorded profit from operations of US\$2.1 million. Owing to a write down in Q4 2017 of US\$1.0 million of certain deferred and other tax assets, income tax expense rose considerably to US\$1.4 million. Notwithstanding this, the Group concluded Q4 2017 with a net profit of US\$0.6 million which compares favourably to the net loss of US\$0.5 million in Q3 2017.

For the full year, Group revenue was lower at US\$58.6 million, as sales of capital equipment was affected by the slowdown in diamond manufacturing activities amid higher than normal surplus inventories of polished diamonds in H2 2017 as well as illicit competition in India. With an installed base of 345 Galaxy[®] family systems as at 31 December 2017, total recurring income amounted to just under half of Group revenue. Overall polished diamond retail-related revenues, currently from Sarine Profile and its various components, represented 2% of Group revenue. The Group recorded a net profit of US\$5.8 million in FY2017. The Board has recommended, subject to Annual General Meeting approval, a final dividend of US cents 1.5, bringing total dividends for the year to US\$ 12.3 million, slightly over our cash flow from operating activities (US\$ 10.8 million).

Prospects

Despite challenging industry conditions and illicit competition, Sarine achieved the milestone of scanning over 10 million rough diamonds through its Galaxy[®] family of inclusion mapping systems in 2017. "Against the backdrop of significantly reduced



DeBeers sights, we believe this is indicative that we are not losing significant existing business and are expanding our customer base, illicit competition notwithstanding. Notably, as DeBeers sights are now increasing, we are seeing a commensurate increase in our scanning activities, with new scanning records being set,” commented Mr. David Block, CEO of the Group. Going forward, the Group expects sentiments in the midstream industry to improve, as the year-end holiday season sales reduced inventories significantly (to the point of decided shortages of certain categories of goods), and expectations are upbeat for robust Chinese New Year and Valentine’s Day sales. The Group will continue with its active efforts in patent and copyright enforcement to defend its intellectual property rights.

On the retail front, the Group’s target for 2018 is to double the number of stones scanned in 2017. To this end, the Group will continue to focus on growing the customer base for sales programs utilising Sarine Profile™. Notably, two significant Chinese chain retailers, JAFF, with some 200 stores, and JASS, will be launching Sarine Profile™ after the Chinese New Year. Following a recent successful trade show in Japan, the Group expects the adoption of Sarine Profile™ to increase with 10 new programs being initiated or expanded, and new customers secured, including Vanilla, a high-end Japanese retailer with mega-stores, Bijoupiko and Kawasumi. To enhance Sarine Profile™, the Group is introducing its Sarine Diamond Journey™, a graphical depiction of the actual rendition of the stone’s transformation from its unique rough state to a one-of-a-kind polished gem. Besides providing captivating insights of the painstaking craftsmanship behind the unique gem’s creation, the documentation should also help to reinforce customers’ confidence in the responsible sourcing and manufacturing of their diamonds.

On 18 February 2018, the Group formally opened its new Sarine Technology Lab to provide the first ever technology-driven 4Cs diamond grading reports. With the addition to its AI-based accurate, consistent and objective 4Cs automated grading capabilities, the Group is now able to provide these along with all the informative features of its Sarine Profile™, its light performance analysis and grading and its new Sarine Diamond Journey™ in one report, and offer unique packaged services tailored to each retailer’s needs. Depending on the services sought, the fees could range from US\$30 to US\$128 per carat. “Our capabilities to provide all the features from a single lab allow



us to offer competitively priced packages that address the full spectrum of our customers' requirements. Based on this value proposition, we believe we can double the number of polished stones scanned in 2017 and triple the revenue generated therefrom, as the average selling price increases appropriately," said Mr. Block.

This press release should be read in conjunction with Sarine's Q4 2017 results announcement released on 25 February 2018 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