

PRESS RELEASE

FOR IMMEDIATE RELEASE

Sarine Reports Revenue Growth and Improved Profitability in Q3 2018

- ***Group revenue rose 4% to US\$11.7 million and net profit improved to US\$0.3 million in Q3 2018 despite cyclical weakness in the diamond polishing midstream***
- ***The Group delivered 13 Galaxy® family systems to customers in Q3 2018 and expanded total installed base to 390 as of 30 September 2018***
- ***Backed by its growing installed base of Galaxy® family systems, the Group continues to see record level of rough diamond scanning activities and is on target to achieve 20% growth in the number of stones scanned in FY2018***
- ***Overall recurring revenues represented just under 50% of 9M 2018 revenue; polished diamond retail-related revenues grew almost 20% and contributed over 2% to group revenue in 9M 2018;***
- ***The opening of Sarine Profile™ Japan Service Centre is expected to accelerate the growth of the Group's recurring revenue base in Japan***

Singapore, 11 November 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 third quarter and nine months ended 30 September 2018.

Q3 and 9M 2018 Financial Results Review

As in prior years, demand for capital equipment by diamond manufacturers slowed in Q3. In addition to this cyclicity, industry sentiments in Q3 2018 were affected by a number of macroeconomic factors, including uncertainties surrounding the impact of trade tariffs on China, credit tightening by Indian banks, increased volatility in foreign exchange rates and uncertainties relating to the long-term effects of the advent of lab-grown diamonds (LGD) into the market. Incidentally, the Group's Q3 2018 results announcement released on 11 November 2018 to the Singapore Exchange discusses this issue at length.

It was against this background of challenges that the Group recorded 4% increase in revenue to US\$11.7 million in Q3 2018. The improvement was mainly driven by recurring revenues, particularly from Galaxy[®]-family inclusion mapping operations. During the quarter, the Group delivered 13 Galaxy[®] family systems to customers, comprising 11 Meteorite[™] models, a Meteor[™] model and a Galaxy[®] system. Notably, all the systems for smaller stones were delivered to customers in India. This is a clear indication that our efforts against the illicit Indian competitors are bearing fruit. As of 30 September 2018, total installed base of Galaxy[®] family systems grew to 390.

With higher revenue, gross profit rose to US\$7.5 million. However, gross profit margin was lower at 64% due to the change in revenue mix and higher costs of sales associated with the newly opened Sarine Technologies Laboratories. With the Group's prudent cost management, overall operating expenditure was lower than the previous corresponding period. As a result, the Group was able to reverse the operational loss in Q3 2017 and record a profit of US\$0.76 million from operations in Q3 2018. After accounting for income tax, net profit for the quarter amounted to US\$0.3 million, an improvement over the net loss of US\$0.5 million in Q3 2017.

In 9M 2018, group revenue remained stable at US\$46.3 million, of which nearly 50% was contributed by recurring revenue business activities. In particular, revenue from polished diamond retail-related business activities grew almost 20% over the corresponding nine months last year. Due to lower total operating costs and income tax expense, the Group

registered a significant increase of 46% in net profit from US\$5.1 million in 9M 2017 to US\$7.5 million in 9M 2018.

Prospects

The near term outlook is clouded by the economic and political uncertainties surrounding the trade spat between China and the United States. As demand in the key U.S. market remains robust, any early resolution of this dispute could accelerate polishing activities significantly in the diamond industry midstream going into 2019.

“Even though the volume of rough diamond sales by DeBeers and Alrosa’ declined by over 4% on a year-on-year basis, we are still seeing rough diamond scanning activities by the Galaxy family installed base at record levels. In fact, Galaxy® related recurring revenues went up by about 6% on the back of the Group’s growing installed base of Galaxy® family systems despite the seasonal weakness in Q3. We are on track to finish FY2018 with an estimated 20% growth in the number of stones scanned for the year,” commented Sarine’s CEO, Mr. David Block.

In August 2018, the Group opened a Sarine Profile™ Service Centre in Tokyo for the issuance of Sarine Profile™ reports for Japanese customers. During the recent International Jewellery Tokyo show, several polished diamond retailers committed to the utilisation of service provided by the new centre. By bringing the service closer to customers, the Group expects the new centre to boost the growth of its polished diamond retail-related revenue base in Japan. Besides Japan, the Group is also accelerating market penetration of Sarine Profile™ with new customers acquired in China, Malaysia and Thailand.

This press release should be read in conjunction with Sarine’s Q3 2018 results announcement released on 11 November 2018 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 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 Clarity, Color, Cut and light performance grading tools and visualisation systems. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemmology lab and diamond appraisal business, and are essential aids for diamond polishers, 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

