



PRESS RELEASE

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Sarine Posts Higher Net Profit in FY2018 Despite Challenging Industry Conditions

- ***FY2018 net profit rose 32% to US\$7.6 million on stable revenue***
- ***The Group delivered 20 Galaxy® family systems to customers in Q4 2018 and expanded total installed base to 410 as at 31 December 2018***
- ***Overall recurring revenues accounted for approximately 50% of Group revenue in FY2018; polished diamond retail-related revenues grew just under 15% and contributed over 2% to FY2018 revenue***
- ***Number of stones scanned by the Group rose 20% to a record 12 million despite less rough diamonds entering the pipeline in FY2018***
- ***Customer base of Sarine Profile™, Sarine Diamond Journey™ and Sarine Technology AI-based 4Cs grading solutions expanding, especially in the APAC market***

Singapore, 24 February 2019 – 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 2018.

FY2018 and Q4 Financial Results Review

For FY2018, Group revenue remained stable at US\$58.5 million, of which approximately 50% came from recurring revenue business activities. Polished diamond retail-related revenues grew just under 15% and contributed over 2% of overall revenue. With stable revenue and



lower overall expenses, the Group posted a 32% increase in net profit to US\$7.6 million in FY2018.

With deliveries of 20 Galaxy[®] family systems to customers in Q4 2018, comprising 16 Meteorite[™] models, 3 Galaxy[®] systems and a Galaxy[®] Ultra system, Sarine's total installed base grew to 410 as at 31 December 2018. Bolstered by its growing base of Galaxy[®] family systems, the Group achieved a record quantity of 12 million stones scanned in FY2018 despite lower volumes of rough stones entering the pipeline during the year. This marks a significant 20% improvement over the previous record of 10 million stones scanned in FY2017.

For the quarter, Q4 2018, sentiments in the diamond industry midstream continued to be impaired by uncertainties stemming from the impact of trade tariffs on consumer spending in China, credit tightening by Indian banks, Indian Rupee exchange rate volatility and the "legitimation" of lab-grown diamonds (LGD). Besides weaker demand for capital equipment under challenging industry conditions, the Group also registered lower recurring revenues due to reduced quantities of rough diamonds entering the pipeline and the seasonal slowdown in scanning activities during the Indian Diwali holiday period. As a result, Group revenue declined 6% to US\$12.2 million in Q4 2018 from US\$12.9 million in Q4 2017. On lower revenue, gross profit fell 11% to US\$7.5 million and gross profit margin eased to 61% due to a change in product mix and additional costs associated with the newly opened Sarine Technology Laboratories. Although general and administrative expenses remained stable, the Group incurred higher sales and marketing expenses to support increased business activities in the retail diamond market. With lower gross profit and higher operating expenses, the Group recorded a lower net profit of US\$0.1 million in Q4 2018 under challenging business conditions.

Prospects

In view of the prevailing negatives in the diamond industry midstream, particularly working capital impairment due to credit tightening by Indian banks, adverse sentiments are likely to persist into FY2019. Nevertheless, the Group is encouraged by the record level of scanning activities due to additional sales of inclusion mapping systems to Indian manufacturers.



Notably, the Group is witnessing continued traction for its Sarine Profile™ solutions for the retail online and in-store polished diamond trade, especially in the APAC market, with presence now in over 1200 retail outlets ("doors"). Expansion continues into new geographies, with inroads into India's domestic market, Australia, the United Kingdom and Poland. Keen interest in our Sarine Diamond Journey™ provenance solution and Sarine Technology Lab AI-based 4Cs grading continues, with initial retail traction and imminent launches scheduled in China, Hong Kong, Japan and Thailand.

“The Group’s active marketing efforts have resulted in higher market penetration for Sarine Profile™ throughout the APAC region and elsewhere. We are pleased that our newer initiatives for the polished diamond trade are also gaining momentum,” commented Mr. David Block, CEO of the Group. “Since the adoption of our AI-based 4Cs grading by K-Uno in Japan, we have secured additional launch customers in China, Hong Kong and Israel. As for the Sarine Diamond Journey™, we have expanded our market presence in Japan, China, Thailand and Israel. Notably, our Israeli customers are prominent midstream suppliers to retail outlets in China, Taiwan, Singapore, Malaysia and the United States. Our marketing team is currently working closely with additional customers at various stages of adoption and launch,” he added.

Significantly, as the adoption of the Sarine Diamond Journey™ continues to expand on a global basis, leading midstream suppliers of polished diamonds are joining the Sarine Diamond Journey™ traceability paradigm. This allows Sarine to collect and store their relevant data and imagery during the various stages of transition from rough to polished stones, so as to be “Journey-ready”, empowering them to offer potential retail customers this service and to enable the retailers to handily subscribe to the Sarine Diamond Journey™ based on data already existing in our cloud repository. The growing database will help to strengthen the value proposition of Sarine’s polished diamond solutions and will in turn contribute to the Group’s recurring revenue stream over the longer term.

This press release should be read in conjunction with Sarine’s Q4 2018 results announcement released on 24 February 2019 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 gemology 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>.

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