



PRESS RELEASE
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Sarine Returns to Profitability in Q3 FY2019 Despite Ongoing Industry Challenges

- *On a sequential quarterly basis, Group revenue in Q3 2019 rose 22% over Q2 2019, and the net loss of US\$1.4 million reversed to a net profit of US\$0.2 million*
- *Record deliveries of 39 Galaxy® family systems to customers in India expanded total installed base to 516 as of 30 September 2019*
- *Scanning activities by the Group's inclusion mapping systems continued at record levels with the number of scans exceeding 65,000 on some days, driven by expanding installed base of Galaxy® family systems for small stones*
- *ALROSA launched Digital Tenders providing Galaxy®-generated and other data with rough stones offered*
- *Sarine Profile™ continues to expand in China, Japan, India, Taiwan and Indonesia.*
- *Sarine and Tiffany & Co. will now be working closely together to further develop and adapt Sarine's 4Cs grading technology to meet Tiffany's discriminating grading standards for Color and Clarity*

Singapore, 10 November 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 third quarter and 9-months ended 30 September 2019.

Q3 2019 and 9M 2019 Financial Results Review

The Group's operating environment continued to be challenging in Q3 2019. Midstream activities remained subdued with the same issues continuing to impair diamond polishing

activity, namely credit tightening policies imposed by Indian banks, albeit less an issue somewhat in Q3 as compared to H1 2019 excess inventory issues eased due to less rough stones entering the production pipeline, dampened consumer sentiments in the Chinese and Hong Kong markets arising from the ongoing trade disputes with the U.S. and civil unrest, and distractions caused by lab-grown diamonds (LGD). Despite the challenges, the Group achieved significantly higher capital equipment sales, including Galaxy[®]-family inclusion mapping systems, of which a significant portion were sold under the one-off paradigm. Another record total of 39 Meteor[™] and Meteorite[™] systems were delivered to customers in India during the quarter, bringing the total installed base of Galaxy[®] family systems to 516 as of 30 September 2019. This improvement was offset by reduced recurring revenues from inclusion mapping activities due to a significant decline in the quantities of rough diamonds entering the pipeline. In Q3 2019, the Group's revenue grew 21% to US\$14.2 million as compared to Q3 2018. Against Q2 2019, on a sequential quarterly basis, Group revenue was up by 22%.

On higher revenue, gross profit in Q3 2019 rose 12% to US\$8.4 million. However, due primarily to a change in revenue mix with lower recurring revenues from inclusion scanning and significantly higher percentage of Meteor[™]/ Meteorite[™] models as compared to Q3 2018, gross profit margin declined from 64% in Q3 2018 to 60% in Q3 2019. The Group continued to show trimmed research and development expenses, as planned, but additional resources were committed to sales and marketing to develop the full potential of the Group's polished products and services. General and administrative expenses were lower sequentially, as third-party professional fees associated with IP protection and litigation subsided following the recently concluded trial phase of our patent litigation in India. After booking a net finance expense of US\$0.2 million, mainly related to IFRS 16 treatment on leases and tax, net profit of US\$0.2 million for the quarter was 13% lower compared to Q3 2018 but significantly better than the net loss of US\$1.4 million reported in Q2 2019.

For the 9M ended 30 September 2019, Group revenue fell 21% to US\$36.7 million, of which over 50% were recurrent in nature. Overall polished diamond retail-related revenues were just under 3% of overall revenue in 9M 2019. Due to the losses in the first two quarters under tough industry conditions, the Group recorded a net loss of US\$2.6 million in 9M 2019.

Prospects

Under difficult market conditions, the Group continues to achieve good penetration for its Galaxy[®]-family inclusion mapping systems with scanning activities posting record levels, including days when the total number of scans exceeds 65,000. Over 13 million stones were scanned in the first nine months of 2019, as compared to 12 million stones scanned in the whole of 2018. The Group is on track to achieve a 33% increase in the number of stones scanned for 2019, mainly due to the accelerated adoption of our Meteor[™] and Meteorite[™] systems for small and very small stones, where we are paid not on a per scan basis but a flat



fee per machine per month. It is noteworthy that in October ALROSA launched Digital Tenders providing Galaxy® scans and additional information to enable more efficient decision making on the procurement of their offered rough diamonds. Initial customer feedback to this initiative has been positive.

The Group is continuing, the current slowdown in the diamond industry notwithstanding, to invest in its long-term goal of building a significant portfolio of products and services for polished diamonds wholesale and retail trade. Sarine Profile™, encompassing our digital paradigm of providing “profiling” data of a polished diamond to consumers, comprising Sarine Light™, Sarine Loupe™, Sarine Diamond Journey™, AI-derived 4Cs grading and other representations, which retailers can select based on their requirements, are winning new converts in many parts of the world. Notably, in China we have signed a strategic cooperation agreement with NGTC, by far China’s largest gemmological laboratory, covering our advanced digital solutions, including the Sarine Light™, Sarine Diamond Journey™ and our AI-derived 4Cs, to bring additional value to the Chinese retail market. We have started providing our Journey reports to retailers in China.

“Building on this positive momentum, we have selectively added new sales personnel to further develop our markets in China, Japan, the ASEAN countries, India, Australia and the United States. Significantly, we are working with Tiffany & Co. to adapt our automated artificial intelligence (AI)-based grading technology to Tiffany’s stringent grading guidelines and criteria”, said Mr David Block, the CEO of Sarine Technologies. As we continue to develop our base of retailers, we are also adding midstream manufacturers participating in our Journey Official Partners Program. The 30,000 high quality Journey ready stone inventory is expected to increase rapidly as our manufacturing partners scale up production, creating a ready pool of stones for retailers to select for their Journey initiatives.

This press release should be read in conjunction with Sarine’s Q3 2019 results announcement released on 10 November 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 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>.



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