



OVER 30 YEARS OF INNOVATION

PRESS RELEASE

H1 2023 Performance Impacted by Ongoing Macro-economic and Industry Challenges

- **Economic uncertainties arising from an inflationary environment with sharply rising interest rates have dampened consumer demand in U.S.**
- **Coupled with a weak post-Covid business rebound in China, revenue declined 24% but the Group remained profitable at \$1 million in H1 2023**
- **Marketing initiatives undertaken for e-Grading™ and traceability (Sarine AutoScan™ and Journey™) should expand revenue base in H2 2023**
- **An interim dividend of US 0.25 cent per ordinary share was declared**

Hod Hasharon (Israel) 13 August 2023 - Singapore Exchange Mainboard and Tel Aviv Exchange listed Sarine Technologies Ltd (“**Sarine**” and along with its subsidiaries “**the Group**”) (**U77:SI; SARN.TA**), a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the evaluation, planning, processing, measurement, grading and trading of diamonds and gems, is pleased to announce its financial results for the six months ended 30 June 2023.

Review of H1 2023

The macro-economic uncertainties arising from the inflationary environment and rapidly rising interest rates affected consumer confidence and reduced disposable income. With a decline in the sale of polished diamonds, and the subsequent reduction of rough diamonds in the pipeline, the midstream effected less manufacturing activities. Appropriately, our traditional business of selling capital equipment and, to a much lesser extent our inclusion scanning services, were affected. Group revenue and net profit fell 24% and 85% to US\$23.7 million and US\$1.0 million respectively in H1 2023.



As our inclusion scanning services are primarily on the larger higher-end rough diamonds, they are more resilient to a slowdown in overall diamond manufacturing, and with the growth of our new Trade-related services, overall recurring revenues for H1 2023 were over 60% of our overall revenue. Our new businesses relating to rough and polished diamond wholesale and retail related (“Trade-related services”) activities continued to register revenue growth from additional customers and the roll-out of new services. Trade-related revenues accounted for about 17% of our overall revenue in H1 2023 as compared to 11% in H1 2022.

The decline in profitability in H1 2023 was mainly due to lower revenue, a lower gross profit margin resulting from lower revenue and product mix, and stable operating expenses. Operating expenses have not declined with the lower revenue as the Group continues working on numerous new services and marketing initiatives with its customers for Trade-related services, to expand its revenue base and drive future growth.

In May 2023, the Group completed the acquisition of a 70% interest in the business and certain assets of Gem Certification & Assurance Lab, Inc., (“GCAL”), comprising the gemological laboratory business of GCAL for a cash consideration of US\$5.65 million. By combining GCAL’s gemological laboratory with the Group’s unique technologies and products, the combined entity will be able to accelerate its penetration and significantly expand its services to U.S. retailers and wholesalers.

Notwithstanding initial technical issues which affected the sales of our newly launched Meteorite™ Plus, the Group delivered 20 Galaxy®-family inclusion mapping systems in H1 2023, a majority of which were for smaller stones. As of June 30, 2023, our installed base was 823 systems.

For H1 2023, the Board of Directors has recommended an interim dividend of 0.25 US cent per ordinary share and the dividend is expected to be paid on 14 September 2023.

Prospects

As interest rates and inflation are likely to stay elevated and the possibility of a recession in the U.S. is still realistic, overall industry conditions are likely to remain challenging for the rest of FY2023. Our traditional businesses of selling capital equipment and to a much lesser extent our Galaxy scanning services will remain affected under subdued market conditions.

Much work has been done and good progress made in refining our Trade-related services for the diamond industry. With ESG issues becoming increasingly important for investors, consumers and retailers, we can expect a steady stream of new wholesale and retailing customers using our Sarine Diamond Journey™ provenance and traceability solution. There are discussions among the Western nations of imposing stricter sanctions, without exceptions, on Russian sourced diamonds, and, should this happen soon, we would expect an accelerated adoption of our traceability solution among diamond manufacturers and retailers. Our refined Sarine AutoScan™ II capable of high-speed scanning of rough stones will be ready for pilot installation at miners’ and wholesalers’ facilities from Q4 2023. We expect new revenue from the sale of this system commencing 2024.

Following our acquisition of GCAL in May, we can now offer GCAL-branded grading reports empowered by our AI-derived grading to both natural and LGD diamond manufacturers and wholesalers from our New-York based GCAL lab. We are offering various business models that are specifically tailored to the differing needs of natural or LGD suppliers, with the intention of accelerating the market penetration of our e-Grading™ services. Our GCAL-branded AI-powered



on-site can offer LGD suppliers substantial indirect and direct cost benefits not attainable by conventional labs, making our services more commercially viable for the lower valued LGDs products. We have also launched specific business models to encourage utilisation of our unique e-Grading™ paradigm by natural diamond suppliers. Having received positive initial responses from our customers, we expect to roll out both these new services in H2 2023 and generate revenue therefrom.

This press release is to be read in conjunction with Sarine's H1 FY2023 half year results released to the Singapore Exchange on 13 August 2023.

About Sarine Technologies

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced modeling, analysis, evaluation, planning, processing, finishing, grading and trading systems for diamonds. Sarine products include the Galaxy® family of inclusion and tension mapping systems, rough diamond planning and optimisation technologies, laser cutting and shaping tools, laser-marking, inscription and fingerprinting equipment, automated (AI-derived) Clarity, Color, Cut and light performance grading systems and traceability, visualisation and retailing services. 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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