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PRESS RELEASE

FOR IMMEDIATE RELEASE

Half Year 2021 Revenue Increased 61% to US\$36.0M Net Profit Surged to US\$12.6M vs. US\$1.2M in H1 2020

- Buoyant industry conditions drove sales of capital equipment and recurrent revenue, with higher margin products in mix expanding gross margin to 75%
- Interim dividend of US 1.5 cent per share declared, comprising US 1.0 cent in accordance with dividend policy and US 0.5 cent as an additional special interim dividend due to the strong results
- Sarine Diamond Journey™ traceability being evaluated by additional producers; implementation of high throughput scanning technology should expedite adoption
- High profile retailers, who value the story-telling attribute of the Sarine Diamond Journey™, already running tests and actual commercial programs
- AI-based grading gaining traction with leading US and European clients; e-Grading™ at source currently in multiple beta-testing sites

Hod Hasharon (Israel), 4 August 2021 - Singapore Exchange Mainboard and Tel Aviv Stock 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 and services 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 2021.



H1 2021 Financial Results Review

During the period under review, a strong pick-up in manufacturing activities in India, which started towards the end of Q3 2020 continued into 2021. This recovery in rough diamond manufacturing was driven by strong demand for diamond jewellery, following the reopening of retail activities in key global markets in late summer 2020 and carrying over to a strong end of year holiday season in the US market and a buoyant Chinese New Year season in early 2021 throughout most of the Asia Pacific market. The challenges and uncertainties of imminent lockdowns caused by the springtime resurgence of the Covid-19 virus in India, kept most manufacturers operating throughout May and June, foregoing their summer vacations to meet demand for polished diamonds.

With overall positive business conditions in H1 2021, the Group recorded revenue of US\$36.0 million, an increase of 61% over the US\$22.4 million realised in the corresponding period last year, which was negatively affected by global lockdowns due to Covid-19. The strong resurgence of manufacturing activities in H1 2021 resulted in both increased capital equipment sales and higher recurring revenues from Galaxy[®] inclusion scanning. Profitability in H1 2021 benefited from significantly higher revenue and gross profit margin, which expanded due to economies of scale with increased overall sales and a favourable product mix. With the Group returning to mostly “normal” operations, following the cutbacks initiated in 2020 on the backdrop of the pandemic, Group operating expenses rose 10% to US\$13.1 million. Notwithstanding this return to a higher level of expenditures, the robust revenue growth provided operating leverage for the Group's net profit to hit US\$12.6 million in H1 2021, up from only US\$1.2 million in H1 2020. An interim dividend of US 1.5 cent per share was declared, comprising a US 1.0 cent in accordance with the stated dividend policy and US 0.5 cent as an additional special interim dividend due to the strong H1 2021 results.

A total of 48 Galaxy[®]-family systems were delivered in H1 2021. As of June 30, 2021, our installed base has grown to 679 systems. Robust diamond manufacturing activities in H1 2021 resulted in an over 80% increase in recurring revenues (mainly derived from Galaxy[®] inclusion scanning) over H1 2020. Total recurring revenues were approximately 40% of Group revenue in H1 2021, as compared to 35% in H1 2020. Our new business comprising rough and polished diamond wholesale and retail related revenues, mostly from digital tenders, the Sarine Profile[™] and the Sarine Diamond Journey[™], was just under 6% of overall revenue in H1 2021.



Prospects

Vaccinations are being effected on a global scale, however virus mutations are continuing to prove a challenge. Still, consumer demand for diamond jewellery in the key markets of the United States and China is robust. Although expectations are for a strong end of year holiday sales season, the uncertainties of the pandemic remain.

Strong consumer demand for diamond jewellery has in turn resulted in strong sales of rough diamonds in 2021. DeBeers has conducted six cycles of rough diamond sales in 2021, and with robust demand has raised its prices in four of these cycles. Alrosa, the Russian producer, has similarly raised the prices of its offered rough goods. The price increases in 2021 have reversed all the price reductions of 2020, and rough diamond prices are now higher than before the pandemic struck in early 2020. With rough price increases outpacing the rise in polished diamond prices, pressure is mounting on the profitability of manufacturers. This situation may not be sustainable, and is a factor to track.

Digital tenders of rough diamonds implementing Sarine's technologies offered by leading producers including Alrosa, Lucara and Grib, as well as by secondary wholesale dealers have expanded as an alternative and complementary mode of selling under Covid-19 restrictions. Going forward we expect additional key producers to adopt our digital sales enabling technologies.

Our Sarine Diamond Journey™ provenance and traceability solution is generating strong interest in the market place due to our unique ability to collate actual verifiable traceability documentation throughout the manufacturing workflow, as a result of our market-leading presence in the midstream manufacturing segment, as compared to origin only certification. Adopted by Alrosa, Lucara and Grib, our solution is being evaluated by many additional producers. Our planned implementation of high throughput initial scanning of the rough diamonds at the mines should expedite adoption and has secondary added value to miners. Along with our expanding collaboration with producers, high profile retailers, who value the story-telling attribute of the Sarine Diamond Journey™ as well as its sustainability/responsibility aspects, are now already running test and actual commercial programs. We expect broader commercial adoption with additional leading brands to follow, and are leveraging the seamless integration of the Sarine Diamond Journey™ with our e-Grading™ initiative in order to offer an even more compelling packaged proposition of these two unique offerings.



The current in-lab implementation of our AI-based grading paradigm is gaining further traction with leading US and European industry players. e-Grading™ at the source of manufacturing is currently in beta-testing and the very significant benefits of cost and time savings and operational flexibility to prioritise their diamonds' sequence of grading are well understood by the midstream manufacturers. A broader introduction to the midstream manufacturers is scheduled towards the end of 2021.

The market acceptance of lab-grown diamond (LGD) jewellery presents a new opportunity for the Group. Having adapted our various technologies to LGD manufacturing, grading and trade, we are now working with market participants to deploy these technologies to support this market segment. As published, our collaboration with the Constell Group will provide technological solutions for the evaluation and planning of raw LGD material and its polishing into polished diamonds. Our Sarine Diamond Journey™ and e-Grading™ may also be utilised at a later stage to support Constell's customers for their grading and trading needs.

This press release should be read in conjunction with Sarine's H1 2021 results announcement released on 4 August 2021 to the Singapore Exchange.

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 finger-printing 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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