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PRESS RELEASE

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**Despite Challenging Year Affected by Covid-19 Pandemic,
Sarine Records Net Profit of US\$2.4M in FY2020**

**Active cost management as well as product mix
contributed to positive results**

Hod Hasharon (Israel), 28 February 2021 - Singapore Exchange Mainboard listed Sarine Technologies Ltd (“**Sarine**” and along with its subsidiaries “**the Group**”) (**U77:SI**), 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 year ended 31 December 2020.

FY2020 Financial Results Review

The Covid-19 virus severely affected the Group's operations for most of FY2020. Demand for polished diamond jewellery fell substantially for the first nine months of 2020, when retail activities in the Asia Pacific, Europe and the United States were restricted, on a rolling basis, for substantial periods. On the production side, full and partial lockdowns in India for over four months from the end March 2020 halted, or significantly reduced, all manufacturing and polishing activities in the world's major diamond manufacturing centre.

As a result, the Group recorded revenue of US\$41.0 million in FY2020, a decline of 20% from the US\$51.3 million achieved in FY2019. The revenue of US\$22.4 million in H1 2020 reflected a strong Q1 2020 with robust capital equipment sales and Galaxy® scanning service income, followed by a



sharp drop in revenue in Q2 2020 with the onset of the pandemic. Revenue of US\$18.6 million in H2 2020 comprised a weak Q3 2020 and a strong rebound in Galaxy[®] scanning service income in Q4 2020. Proactive steps were taken from late March 2020 to reduce the cost structure in light of the pandemic crisis by prudently cutting all non-essential activities. This reduced Group operating expenses by 22% in FY2020 as compared to FY2019. Due to the cost reductions implemented in FY2020, coupled with the product mix, the loss of US\$1.4 million in FY2019 was reversed to a net profit of US\$2.4 million in FY2020. Net profit in H1 2020 and H2 2020 was similar at US\$1.2 million, with H1 2020 benefiting from a strong Q1 2020 and H2 2020 from cost reductions and the strong rebound in Galaxy[®] scanning service income in Q4 2020. A final dividend of US 0.5 cent, subject to Annual General Meeting approval, was declared.

A total of 76 Galaxy[®]-family systems were delivered in FY2020, 59 in H1 2020 and 17 in H2 2020. Approximately two-third of these systems were sold in Q1 2020 and 60% of them in FY2020 were sold under a one-off programme with no follow-on per use revenues. As of 31 December 2020, we have 631 Galaxy systems in our installed base.

After a strong Q1 2020 in both capital equipment sales and Galaxy scanning income, both categories declined substantially in Q2 and Q3 2020, followed by a strong rebound in Galaxy scanning income in Q4 2020. The total recurring revenues for FY2020 (including Galaxy[®]-related scanning, Quazer[®] services, polished diamond related services and annual maintenance contracts) was approximately 50% of Group revenue. Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from digital tenders, the Sarine Profile[™] and the Sarine Diamond Journey[™] were approximately 5.6% of our overall revenue for H2 2020 and 5.1% for all of FY2020.

Prospects

The global diamond industry started on a path of recovery in H2 2020, aided by the reopening of jewellery retail activities, leading up to and including the end-of-year holiday season, and the consequent resumption of diamond manufacturing activities in India. Initial data and reports indicate that China, the second largest market for polished diamonds accounting for almost a fifth of global demand, experienced growth in luxury spending in 2020 as well as during the Chinese New Year season in 2021. The robust domestic consumer spending is probably the result of global travel restrictions severely curtailing Chinese tourism abroad. In the United States, initial reports indicate that overall diamond jewellery spending during the critical year-end holiday season was stronger



than expected, likely at the expense of travel and entertainment. The new administration's proposed additional stimulus measures will help to buoy consumer sentiment.

The curtailment of manufacturing activities in India in Q2 2020 and very limited polishing in Q3 2020, together with recovering retail sales of polished diamonds, resulted in a significant reduction in midstream inventories of rough and polished diamonds. Following weak demand for rough diamonds from March to July 2020, DeBeers' three sights in the last four months of 2020 recovered to a respectable average of just over US\$450 million. DeBeers then reported its strongest selling cycle in three years in January 2021, a sight of US\$ 650 million. Notwithstanding these improvements, the Covid-19 virus and its mutations may still affect the global diamond value chain in 2021. The prevailing economic uncertainty, lingering retail restrictions to varying degrees in various geographies and the postponed June JCK Show in Las Vegas to August are examples of the enduring uncertainties of the pandemic.

The strong recovery in manufacturing activities in the last quarter on 2020, continuing into the first two months of 2021, have driven the utilisation of our inclusion mapping systems to peaks of 100,000 stones daily, averaging throughput 40% higher than pre-pandemic usage. We are continuing aggressive sales programmes of our systems for smaller stones, the Solaris™, Meteor™ and Meteorite™ models and expect to see significant deliveries of Galaxy® family systems going forward in 2021, possibly even nearing delivery levels similar to the 145 systems sold in FY2019.

Our Sarine Diamond Journey™ provenance and traceability solution continue to generate strong interests from miners, wholesalers and retailers. In 2020 we partnered with key miners Alrosa and Lucara, and other producers, some of who have already concluded successful pilots, are expected to join this paradigm in 2021. Major wholesalers and retailers in China, Japan, India, Italy and Australia are already implementing our Journey offering. Leading global luxury brands are also in the process of running pilot assessments, delayed from 2020 due to the pandemic. Both the storytelling and the sustainability/responsibility aspects of the Journey concept are driving interests, with miners, wholesalers and retailers emphasising differing aspects of the offering.

Our on-site E-Grading™, currently in beta-testing, provides truly objective and consistent grading at a fraction of the time taken and cost associated with having the grading done at an external third-party laboratory. With on-site grading, manufacturers also have full control and flexibility to prioritise the sequence of stone grading to best meet delivery schedules. The CEO of Sarine Technologies,



Mr David Block commented, "Ongoing beta-testing will continue as well as refinement of the solution and the implementation of the necessary operational cloud infrastructure for the service, with broader introduction to mid-stream manufacturers scheduled for later in 2021."

Although still a small portion of the diamond jewellery market, the demand for lab-grown diamonds (LGD) continued its expansion in 2020. With market indications suggesting that nearly half of US retailers will offer LGD products in their stores as part of their inventories, LGD is increasingly seen as a lower-priced complementing product to natural diamonds. This growing market acceptance of LGD provides a new opportunity for Sarine. Having verified the applicability and adaptability of our various technologies to LGD manufacturing, grading and trade, we have extended our marketing efforts to penetrate this growing market. In particular, e-Grading™ lends itself conceptually to LGD grading, as stones created by technology should naturally be graded by technology.

This press release should be read in conjunction with Sarine's FY2020 results announcement released on 28 February 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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