Sarine Technologies Ltd.
(Incorporated in Israel)
(Israel Registration No. 51 1332207)

RESPONSES TO A QUERY FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Sarine Technologies Ltd (the “Company) wishes to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 27 February 2020, with reference to the Company’s unaudited results for the calendar year ended 31 December 2019 (the “Results”), as follows:

SGX's Query:

We would appreciate it if you can address the following queries in a clarification announcement via SGXNet by Tuesday, 3 March 2020. In your announcement, please disclose our questions and your corresponding answers to enable investors to understand the matters raised by the Exchange. If our queries have been addressed previously, please contact us to clarify this:-

a) With reference to the unaudited financial statements for the year ended 31 December 2019, please provide an explanation for:

   i. the decrease in inventories from US$7,032,000 for the year ended 31 December 2018 to US$5,452,000 for the year ended 31 December 2019;

      During most of 2019, due to challenging industry conditions, there was significantly lower demand for the Group’s traditional planning systems. Hence the Group made use, where possible, of existing inventories to meet customer demand, which also included several large orders in the latter portion of Q4 2019 (see also (b) below). Hence the decline in inventories.

   ii. the decrease in trade receivables from US$16,406,000 for the year ended 31 December 2018 to US$14,595,000 for the year ended 31 December 2019;

      Trade receivables decreased commensurately with lower overall revenues in FY2019.

   iii. the increase in trade payables from US$2,328,000 for the year ended 31 December 2018 to US$3,907,000 for the year ended 31 December 2019;

      During H2 2019, the Group recorded an approximate 85% increase in capital equipment sales as compared to H1 2019. In order to meet the robust demand for capital equipment sales in Q4 2019, in particular, the Group purchased needed parts and materials to augment inventories on hand. It should be noted that the Group’s trade payables as of period-end are affected by actual business activities during the applicable quarter (and the actual timing of issuance of purchase orders, statements of work, etc.).

iv. and the decrease in other payables from US$6,831,000 for the year ended 31 December 2018 to US$6,076,000 for the year ended 31 December 2019.

The decrease in other payables at 31 December 2019 was primarily due to a decrease in accrued expenses of approximately US$ 1.0 million. – US$0.3 million related to the implementation of IFRS 16 (reclassified to lease liabilities) and approximately US$0.7 million related to lower accruals for sales commissions and related fees (there were lower revenues in FY2019, due to challenging industry conditions, as was discussed in Appendix 7.2).

b) Please disclose the actions taken by the Company to collect its long-term trade receivables of $756,000.

During the latter part of Q4 2019, there were several large customer orders for traditional planning systems. On those orders, the Group provided payment terms, a portion of which extend into 2021. The Group expects to collect on same in 2021, as per the agreed upon payment terms.

c) Please disclose the background for the recognition of US$916,000 of long-term income tax receivable.

The classification of a long-term income tax receivable relates to our wholly owned subsidiary, Galatea Ltd., domiciled in Israel, re tax withholding by Indian customers and the expected timing to offset in Israel those amounts with current taxes owed locally.