



OVER 30 YEARS OF INNOVATION

PRESS RELEASE

Sarine Successfully Launches New Initiatives in H1 2024

- Reverts to Profitability Despite Challenging Market Conditions
- New meaningful recurring revenue streams generated from substantial traction with new strategic initiatives
- Strategically positioning for value growth both in natural stones and LGD when market conditions improve
- Net profit in H1 2024 rose 7% to US\$1 million on marginally lower revenue; Profitability benefited from aggressive cost reduction measures taken by the Group.
- An interim dividend of US cents 0.75 declared payable 12 September 2024 to shareholders of record on 26 August 2024, up from US cent 0.25 interim last year

Hod Hasharon (Israel) 12 August 2024 - 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 2024.

Review of H1 2024

Market conditions remained challenging for the natural diamond manufacturing industry in the first half of 2024. Continued weak demand from China (the second biggest market for diamond jewellery) and the ongoing but slowing LGD disruption in the U.S. market (more below) impaired demand for rough natural diamonds and consequently slowed manufacturing activities.

The lab-grown diamond (LGD) segment of the industry is undergoing significant changes. With surging production and slowing adoption in the US market, wholesale prices of LGD have fallen between 20% to 50% in H1 2024, depending on size and quality. Growing competition between retailers has also driven retail prices down with one and two carat stones selling for as little as US\$



500 and 1,000 respectively. With the significant drop in retail prices, US retailers are making significantly less absolute profits selling LGDs and are re-evaluating their LGD offerings to maintain economic viability.

The Group reported revenues of US\$21.9 million in H1 2024, down 7.8% from the corresponding period last year. Due to less than favourable conditions for natural diamond manufacturing, sales of traditional capital equipment declined 37% but this was offset by an 11% increase in recurring revenues, which comprise over 70% of overall revenues. Trade-related recurring revenues, which exclude manufacturing related recurring revenues (like Galaxy® inclusion scanning), grew about 44% and accounted for 26% of overall revenues in H1 2024, up from 17% in H1 2023.

Growth in recurring revenues benefited from executing new strategic initiatives introduced in early 2024. The introduction of our Most Valuable Plan™ (MVP) for optimising the planning of small natural rough diamonds, the adaptation of our rough planning technologies to LGD, the opening of a GCAL by Sarine lab in India principally to service the significant Indian LGD industry, and the launch of the AutoScan™ Plus and Sarine Diamond Journey™ solutions to address ESG concerns and G7 sanctions on Russian diamonds have attracted new customers and are generating new recurring revenue streams. Revenues from LGD-related services in H1 2024 grew significantly, and we believe we are on target to generate 15-20% of annual revenues from this segment by year's end.

Group net profit rose 7.2% to US\$1.02 million in H1 2024. Together with active business streamlining and prudent management of expenses, we have enhanced our profitability and strategic position for longer-term growth. Although near-term challenges persist in the rough diamond market, our strategic initiatives are designed to foster long-term growth and a stronger market position for Sarine as we expand our services offerings for both the natural stone and LGD markets.

For H1 2024, the Board of Directors has recommended an interim dividend of 0.75 US cent per ordinary share and the dividend is expected to be paid on 12 September 2024.

Prospects

Weak demand in China for polished natural diamonds and the adoption of LGD have contributed to the current relatively high levels of polished natural diamond inventory. The near-term demand for rough natural diamonds is likely to remain soft with subdued manufacturing activities. However, demand is expected to improve as innovative natural diamond marketing campaigns are launched by industry leaders, increased post-Covid consumer engagements are manifested and overall industry dynamics evolve. Indeed, the LGD market is experiencing rapidly and sharply declining wholesale and retail prices, due to substantial inventory accumulation in India and intensifying competition, contributing to a distinct bifurcation between the natural and LGD retail segments. With much lower absolute profits generated from sharply declining retail prices, there are indications of a renewed focus on natural diamonds among many US retailers to maximise profitability and sustain viability. We expect this renewed focus to rekindle demand for rough natural diamonds and promote the anticipated equilibrium between the two segments.



Our new recurring revenue generating services launched in early 2024 have gained good traction and are expected to continue growing, as we expand these services to existing and new customers. Our Most Valuable Plan™ (MVP) paradigm for the optimal planning of smaller rough natural diamonds initially addresses a huge segment of the market, in which our installed base of Meteor™ and Meteorite™ Plus systems already scanned some 33 million stones in 2023. We are witnessing an accelerating adoption rate, and with pending improvements in the automation of the process, some to be implemented already in Q3, we expect further acceleration. We believe that concurrent with eventual improving market conditions, the MVP service could also drive additional Meteor™ and Meteorite™ Plus and planning system sales and expand our total addressable market to additional customers currently using other technologies.

Our LGD rough planning services have experienced a rapid pace of adoption that exceeded our expectations. We will continue to expand this service to our existing customer base and, more importantly, to additional untapped LGD growers, to generate a new stream of recurring revenues. Our new GCAL by Sarine grading lab in Surat, India focuses on grading LGD on-site and this provides the Indian manufacturers with a more cost-effective grading solution, while still implementing GCAL's recognised unsurpassed levels of quality control. We are already working with new US retail customers through their Indian suppliers and expect to further expand our grading capacity in H2 2024 and FY 2025.

This press release is to be read in conjunction with Sarine's H1 FY2024 results released to the Singapore Exchange on 11 August 2024.

To Note: Since the attack on Israel in October 2023, a war with the Hamas terrorist group in the Gaza strip has been ongoing. Hostilities have also commenced with the Hezbollah terrorists in Lebanon and other Iranian proxy terrorist groups. To date, the effect of these hostilities on the Group's activities has been minimal and restricted primarily to the calling up of certain of our younger employees for reservist duty.

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's world renown 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 the AutoScan™ Plus for rough diamond source registration. Sarine offers recurring revenue generating value-add services including the GCAL diamond grading lab, provenance and traceability reports, Most Valuable Plan™ (MVP) planning, LGD planning and various retailing services (visualisation, fingerprinting, etc.) 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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