

PRESS RELEASE

FOR IMMEDIATE RELEASE

Covid-19 Pandemic Impact on Business Conditions

Hod Hasharon, (Israel), 26 April 2020 – Singapore Exchange Mainboard-listed Sarine Technologies Ltd ("**Sarine**" or "**the Company**" and together with its subsidiaries "**the Group**") (U77:SI), a worldwide leader in the development, manufacture and sale of precision technology products for the evaluation, planning, processing, finishing, grading and trading of diamonds and gems, wishes to update its investing public on the impact the Covid-19 pandemic has had and is having on the diamond industry and the Group's business.

The first quarter ended 31 March 2020 started off with strong demand across most, if not all, product lines, and from January till mid-March the Group saw record demand for its Galaxy[®] family of inclusion mapping systems and record numbers of stones being scanned, indeed hitting over 80,000 on several days. The only impact of the Covid-19 pandemic, mostly constrained to China during this period, was the delay in the delivery of a key subsystem for our DiaExpert[®] planning systems, for which we also recorded significant orders (though manufactured in Israel, it has sub-components sourced in China). As a result of this delay and the subsequent lockdown in India commencing March 24th, a portion of the ordered planners were not delivered in Q1. From mid-March, with the declaration of a state of emergency in the U.S., and, more critically, following India being locked down by order of the central government, our business was significantly impaired, as detailed below.

Notwithstanding the virtual "truncation" of the quarter by a week or two, in Q1 2020 we delivered a record 50 inclusion mapping systems (previous quarterly record was 39), comprising Solaris (having not sold any of these for close to two years), Meteor and Meteorite models. Revenues for the first quarter were approximately US\$ 16.5 million, a significant

improvement over the US\$14.6 million of Q4 2019 and an over 50% jump as compared to the US\$10.9 million realised in Q1 2019. Based on the product mix, we estimate that our gross margin improved substantially from the 56% in Q1 2019 and the 58% in Q4 2019 and was in the range of 62 – 65%. With ongoing prudent management of our costs, our initial estimation of net profit is approximately US\$ 3.25 - 3.75 million for the quarter, a 170 – 200% improvement as compared to the US\$ 1.2 million net profit for Q4 2019 and in lieu of a loss of US\$ 1.4 million in Q1 2019. We ended the quarter with some US\$ 29 million in the bank, zero bank debt, and trade receivables of around US\$ 21 million, predominantly from customers with long track records of paying diligently.

As of March 24th India, the world's primary rough diamond polishing hub and our most significant geography typically accounting for some 75% of our revenues, has been under lockdown with all polishing activity shut down. Initially scheduled for three weeks, the lockdown period has been extended till May 3rd. Accordingly, DeBeers cancelled their rough diamond sales cycle ("sight") scheduled for late March and has forecasted a significant reduction in this year's production. Similarly, Alrosa has announced sales of rough diamonds valued at only some US\$ 150 million in March, compared to over US\$ 580 million sold in March 2019, and they too have reduced their production forecasts. The world's third largest producer, Canada's Dominion, already previously hampered by low profitability, announced on April 23rd it was seeking insolvency protection from creditors. Other miners have also significantly reduced production activity, in some instances due to government-enacted lockdowns in the relevant southern African countries. Consequently to the shutdown in India, we have seen virtually no business emanating from this key geography during this period, with the exception of some minor deliveries of equipment ordered in Q1 and shipped in Q2. As mentioned, similar lockdowns have been enacted by the appropriate authorities in most southern African countries, as well as most states in the US. We are thus currently seeing only very limited revenues generated by our inclusion mapping service centres in Israel and in Moscow, which have continued operating.

We cannot yet forecast what our business results will be for the rest of Q2 or the subsequent quarters of 2020. We would, however, like to note that we are assuming that even following the lockdowns in India and Africa being lifted, ostensibly in the first week of May, the return to

normal will not be immediate. We expect to see ongoing impairment of our business until retail activity in key markets resumes, especially in the U.S. where virtually all major diamond jewellery retail chains are presently shuttered, and inventories are worked through the pipeline. It should be noted that retail activity has reopened in China but is not yet back to pre-pandemic levels, notwithstanding anecdotal exceptions (e.g., record one-day sales in certain re-opened LVMH and Hermes outlets). The expected earlier normalisation of life and commerce in China and the Asia Pacific (APAC) market may help jumpstart the industry pipeline. It may also enable us to continue our expansion in this market, in which we already have a significant presence with our retail-related polished diamond services – the Sarine Profile™ and Sarine Diamond Journey™, though these still contribute minimally to our top line. The pandemic has not impacted all the U.S. on the same scale - i.e., New York is not the yardstick to be applied to the entire U.S. Other densely populated states, such as California, Texas and Florida have weathered the pandemic better than New York. We could see efforts to return to normality in specific localities earlier than in others, as was announced by six states' governors this weekend. Obviously, a lot hinges on the overall economic conditions that will prevail and on consumer sentiment. Overall, we expect Q2 business results to be severely impaired by the Covid-19 pandemic, with effects lingering into Q3 as well.

During these extremely unusual times, we are abiding by all relevant health authorities' instructions. We have, as mandated by the Israeli health authorities, "diluted" our main office staff and our operations in India and NY are shut down completely. Many of our Israeli staff, including effectively all our research and development personnel, are working from home, diligently continuing our efforts towards attaining our strategic long-term goals, including the introduction later this year of our revolutionary e-Grading, as mentioned in our Annual Report. Given current industry conditions, e-Grading, which offers manufacturers both cost and time benefits, could be a very attractive alternative to present third-party grading mechanisms. Key opinion-leading manufacturers in India have already agreed to be beta-partners on this new paradigm.

In addition, we have initiated new and continued existing dialogs with many leading global luxury brands (by online means), and continue to receive positive feedback relating especially to our traceability/sustainability initiative – the Sarine Diamond Journey™. We believe that our



offerings are precisely in tune with new paradigms that are emerging due to the pandemic, as we empower retailers to enable informed (also online) commerce and emphasise the distinctive qualities of their natural diamonds— their uniqueness, store of value, responsible sourcing and manufacturing, social empowerment in producing countries, etc.

Just under 20% of our staff in Israel, primarily in sales and marketing, customer support and service centre personnel, have been furloughed and are receiving government benefits, as enacted under Israel's emergency regulations, with additional personnel on paid leave. A portion of our production personnel are continuing assembly, integration and testing of systems, observing all distancing directives, etc. With additional steps we are implementing, we believe we will be able to reduce our ongoing cash burn rate by approximately a third, as compared to our planned budgeted operations for the year, with minimal impairment of our long-term objectives. We will continue to provide updates, as warranted.

About Sarine Technologies:

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing, finishing and grading systems for diamond and gemstone production. Sarine products include the Galaxy® family of inclusion mapping systems, rough diamond planning optimisation systems, laser cutting and shaping systems, laser-marking and inscription machines and polished diamond Clarity, Color, Cut and light performance grading tools and visualisation systems. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemmology 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>.

Contact:

APAC IR

Cyrus Capital Consulting
Mr. Lee Teong Sang
Tel: +65-9633 9035
teongsang@cyrus.com.sg

North America IR

MS-IR LLC
Ms. Miri Scharia-Segal
Tel: +1-917-607-8654
msegal@ms-ir.com

Sarine Technologies Ltd

Marketing & Communications

Tel: +972-9-7904148
marketing@sarine.com