



PRESS RELEASE

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Sarine Expands Profitability in Q4 2019 With Net Profit of US\$1.2 Million

- *On a sequential quarterly and year on year basis, both Group revenue and net profit in Q4 2019 were higher on stabilisation of industry conditions*
- *Strong deliveries of 39 Galaxy® family systems to customers expanded total installed base to 555 as of 31 December 2019*
- *Strong interest in Sarine Diamond Journey™ traceability solution from leading global brands, key US retailers and diamond miners*
- *The Group maintained the final dividend at US 0.5 cent per share, making full year pay-out of US 1.0 cent per share*

Singapore, 23 February 2020 – Singapore Exchange Mainboard-listed Sarine Technologies Ltd ("**Sarine**" or "**the Company**", and 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 gemstones, today announced its financial results for the fourth quarter and year ended 31 December 2019.

Q4 2019 and FY2019 Financial Results Review

With a gradual stabilisation of industry conditions in the second half of 2019, the Group was able to reverse the net loss of US\$2.8 million (mostly non-cash) in the first half of FY2019 into a modest net profit of US\$0.2 million in Q3 2019 with further improvement on profitability to US\$1.2 million in Q4 2019. In H2 2019, the Group realised revenues of US\$28.8 million, 28% more than US\$22.5 million realised in H1 2019, and accordingly went to a profit of US\$1.4



million in H2 2019 from a loss of US\$2.8 million in H1 2019, evidence of the industry stabilisation in the second half of the year.

In Q4 2019, Group revenue and net profit rose 20% to US\$14.6 million and 1,200% to US\$1.2 million, respectively, over Q4 2018. Q4 2019 net profit of US\$1.2 million was also substantially higher than the net profit of US\$0.2 million achieved in Q3 2019. The substantial decline in the sales of rough diamonds by miners throughout 2019 reduced polishing activities by over 25% for the year, with a gradual improvement in Q4. The reduction of rough stones entering the pipeline in Q4 2019 led to lower recurring revenue from Galaxy scanning activities in Q4. However, this decline was offset by higher sales of capital equipment in India and North America.

The Group delivered 39 Galaxy[®]-family inclusion mapping systems in Q4 2019 comprising 21 systems of the Meteorite[™] model and 18 systems of Meteor[™] model, matching the record deliveries of Q3 2019. A little under a third of these systems were sold on a one-off business arrangement with no follow-on per-use revenues. With a record 145 systems delivered in FY2019, our installed base has expanded to 555 systems as at 31 December 2019.

Overall recurring revenues for FY2019 (including Galaxy[®]-related scanning, Quazer[®] services, polished diamond related ("Trade") services and annual maintenance contracts) were approximately 50% of overall Group revenue. Overall polished diamond retail-related revenues, currently mostly Sarine Light[™] with maiden contribution from Sarine Diamond Journey[™] rose some 27% in Q4 2019 over Q3 2019 and were just under 3% of overall Group revenue in FY2019.

On a revenue growth of 20%, gross profit rose 14% to US\$8.5 million in Q4 2019 over Q4 2018. With a revenue mix comprising lower recurring revenues from inclusion scanning and higher capital equipment sales, gross profit margin declined to 58% in Q4 2019 from 61% in Q4 2018. Operating expenses continued to be prudently managed and contained, enabling net profit to improve to US\$1.2 million in Q4 2019 from US\$0.1 million in Q4 2018.



For the year ended 31 December 2019, Group revenue fell 12% to US\$51.3 million. Due to the losses sustained in the first two quarters under tough industry conditions, the Group recorded a net loss of US\$1.4 million in FY2019. The Group declared a final dividend of US0.5 cent per share.

Prospects

Although industry conditions were challenging in FY2019, the Group shipped record numbers of Galaxy®-family inclusion mapping systems and scanned 17 million stones, a growth of 40% over FY2018. The strong growth in the number of stones scanned in 2019 was mainly due to the accelerated adoption of our Meteor™ and Meteorite™ systems for small and very small stones where we are paid not on a per scan basis but a flat fee per machine per month.

The Group continues to invest in its long-term goal of building a significant portfolio of products and services for the wholesale and retail trade of polished diamonds. Sarine Profile™, our digital paradigm of providing “profiling” data of a polished diamond to consumers, Sarine Diamond Journey™ and AI-derived 4Cs grading are appealing to global jewellery brands, key US jewellery retailers, diamond manufacturers and diamond miners.

“In order to effectively address this growing level of interest, we have selectively added new sales personnel to further develop our markets in Asia and the United States. To support the strong interest in Sarine Diamond Journey™, we have added new midstream manufacturers participating in our Journey Official Partners Program and in the last few months, we have doubled the high quality Journey-ready diamond inventory to 60,000, creating an available pool of diamonds for retailers to select for their Journey initiatives”, said Mr. David Block, the CEO of Sarine Technologies.

As the diamond industry entered 2020 with reduced inventories and accordingly more robust polishing activity, Sarine has benefited from continued recovery in the sales of capital equipment and continuing demand for Galaxy®-family inclusion mapping systems. With growing interest for Sarine’s products and services for polished diamonds, the Group has started FY2020 on a positive note. However, the recent outbreak of the Coronavirus has cast some uncertainty over retail market sentiments in China, the second largest market for



polished diamonds globally, and as the effects of the disruption is still not clear, the Group is monitoring the situation closely.

This press release should be read in conjunction with Sarine's Q4 2019 results announcement released on 23 February 2020 to the Singapore Exchange.

About Sarine Technologies:

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing, and finishing 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, Colour, 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>.

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