



PRESS RELEASE
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Sarine Reports Q1 2019 Revenue of US\$10.9m Under Challenging Industry Conditions

- ***Over 55% of Group revenue was recurrent in nature; polished diamond retail-related activities contributed just under 3% of overall revenue in Q1 2019***
- ***Record deliveries of 33 Galaxy® family systems to customers in India increased total installed base to 443 as of 31 March 2019***
- ***Scanning activities by the Group's inclusion mapping systems continued to set new record levels with the number of scans exceeding 50,000 on some days***
- ***Sarine Diamond Journey™-ready agreements are being executed with key manufacturers, as keen interest by retailers drives interest on the supply side.***

Singapore, 12 May 2019 – 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 first quarter ended 31 March 2019.

Q1 2018 Financial Results Review

In Q1 2019, the working capital issues experienced by midstream diamond manufacturers in India was exacerbated by the banks' call for return of some of the already extended credit. Combined with negative sentiments arising from uncertainties surrounding lab-grown diamonds (LGD) and ongoing trade disputes between the U.S. and China, the midstream diamond industry saw a reduction in manufacturing activities and capital investment. Consequently, the Group recorded a 34% decline year over year in Group revenue to US\$10.9

million due to lower capital equipment sales and reduced recurring income from inclusion mapping services, though these dropped less than the reduction in rough entering the pipeline, as evidenced by reduced DeBeers sights in the first quarter. Over 55% of the quarterly Group revenues were recurrent in nature and polished diamond retail-related business activities accounted for just under 3%.

In spite of the headwinds, the Group delivered 33 Galaxy[®] family systems, including 29 Meteorite[™] and 4 Meteor[™] models, to customers in India in Q1 2019. With this record number of quarterly deliveries, the total installed base of Galaxy[®] family systems increased to 443 as of 31 March 2019. Due to lower sales and the change in product mix, gross profit declined 6% to US\$6.1 million and gross profit margin fell to 56%. In order to preserve its financial strength amidst uncertain business conditions, the Group has placed added emphasis on prudent management of expenditures and this resulted in a decrease in overall operating expenses. Given lower revenues and gross profitability, the Group recorded a net loss of US\$1.4 million in Q1 2019.

Prospects

“Shortages in certain categories of polished stones and the latest DeBeers sight in April 2019, provisionally at a more usual US\$575 million, may be initial indications of a return to more normal levels of polishing activities. At Sarine, we have seen a distinct uptick in scanning activities by our inclusion mapping systems to record levels, with the number of scans exceeding 50,000 on some days last month,” commented Mr. David Block, CEO of the Group.

“As for the possible advent of LGD into the market, we would like to emphasize that our technologies are equally applicable to HPHT LGD. Even with CVD LGD, which arguably require less automated inclusion scanning, our products may be utilized during the planning process as well as laser cutting. More importantly, the Group’s suite of solutions for the retail trade of polished diamonds, such as Sarine Profile[™], AI-driven grading of the 4Cs and Sarine Diamond Journey[™] are equally applicable to the LGD consumer market since the retail sale process will not differ materially from that for natural stones,” Mr. Block added.



Sarine Profile™ and Sarine Diamond Journey™ continue to generate keen interest and gain traction in the APAC as well as other markets. Besides retailers, polished diamond provenance and traceability have become key issues of concerns for other stakeholders such as banks, insurance companies and governments (see links in announcement released on the SGX). With its market leadership position and comprehensive suite of solutions, the Group is well-placed to work with the diamond industry to address these increasingly important issues. To this end, the Group is promoting Sarine Diamond Journey™ as the most readily available solution and actively enrolling key midstream polishers into the ecosystem to make their stones “Journey™-ready”.

This press release should be read in conjunction with Sarine’s Q1 2019 results announcement released on 12 May 2019 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, 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>.

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