



## PRESS RELEASE

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# Sarine Returns to Profitability Amid Recovery in Diamond Manufacturing

- *The Group reversed net loss in Q3 2015 with net profit of US\$1.5 million in Q4 2015*
- *Business sentiments improve as profitability returns to diamond manufacturing with price discounting of rough by producers and higher polished pricing due to depletion of polished inventory*
- *Balance sheet remains healthy with cash and cash-equivalents of US\$32.6 million and no debt as of year-end 2015.*
- *The Board has proposed FY2015 final dividend of US 1.5 cents per share*

**Singapore, 28 February 2016** – 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 full year ended 31 December 2015.



#### **Q4 and FY2015 Financial Results Review**

As discussed throughout the year, the Group operated in a very challenging environment in 2015. Diamond manufacturing activities dropped significantly, by 30-50%, due primarily to overly aggressive rough diamond pricing, against stagnant polished diamond prices and higher than normal polished inventory levels, due to pipeline skewing in late 2014. However, business conditions showed signs of improvement commencing December 2015 as robust polished diamond sales during the Christmas season, primarily in the U.S., further reduced already depleted polished inventory levels and drove polished prices up by some 5%, against rough prices already discounted throughout 2015 by some 15-20%.

Against this background, Sarine recorded revenues of US\$12.4 million in Q4 2015. Although lower than the revenues of US\$18.3 million reported in Q4 2014, it represents an improvement of 31% over the revenue of US\$9.5 million realised in Q3 2015. The increase in sequential quarterly revenue was due to renewed capital equipment sales driven in part by the launch of the small-stone Meteor™ inclusion mapping system (latest member of the Galaxy™ family) and improved business conditions and sentiments in the Indian midstream diamond manufacturing industry at year's end in December after the Diwali holiday. During the quarter, the Group delivered 13 Galaxy™ family systems, of which five were the new Meteor™ systems, expanding the total installed base to 215 as of 31 December 2015. The Group registered a net profit of US\$1.5 million in Q4 2015, reversing the loss in Q3 2015.

The Group concluded the financial year with revenue of US\$48.5 million and net profit of US\$3.6 million, representing a decrease of 45% and 87%, respectively, compared to the revenue and net profit of FY2014. The Group's profitability was affected more as, in spite of challenging industry conditions, it continued all planned long-term strategic products and services development and launches. These include the Advisor™ 6.0 planning software with new features and more robust intellectual property protection, the aforementioned Meteor™ inclusion mapping system, which expands our addressable market more than twofold, the Sarine Profile™ and the non-diamond gemstone processing Allegro™, which addresses a completely new market



for Sarine. These efforts will strengthen Sarine's market leadership and contribute to the Group's recurring revenue base in the long term.

Taking into consideration the Group's business performance in FY2015, a final dividend of US 1.5 cents per share is proposed, taking the full year cumulative dividend to US 3.0 cents per share. Notwithstanding the recent positive developments in the diamond industry, the Group is mindful of the uncertainties in the global economy and is monitoring for any adverse impact on its profitability from the recent currency and equity markets volatility. The Board, focused on prudent cash management, has recommended a dividend policy adjustment to US 2.0 cents per share every six months for FY2016.

### **Prospects**

"We are pleased to see business sentiments in the diamond manufacturing midstream continuing to improve following year's end, backed by a further 7-10% reduction of rough prices in January 2016, bringing total aggregate correction to well over 20% in the past 13 months. This was further supported by continuing increases in polished diamond jewellery prices, which jumped in January by no less than 7% in the U.S. By some reports, midstream polishing margins are now at levels not seen since early 2014. The latest DeBeers sight, concluded just last week lends further support to the current positive business sentiment. In-plan demand for rough diamonds was reportedly close to US\$ 1 billion (also because the next sight is in April) and an estimated US\$ 600 million were in fact sold by DeBeers through its various channels. Other diamond mining companies similarly experienced positive rough selling tenders, and the demand for rough diamonds in the secondary market is high. All these factors further imply the industry's trending return to normal. Evidently, the industry is over the worst of the downturn," commented Mr. Uzi Levami, CEO of the Group. "With the reduction of inventories, working capital credit availability is also less of a problem in the midstream and Indian banks are reportedly softening their attitude towards the industry. Even though manufacturers are wary of Chinese market demand slowing, we are seeing record numbers of stones being scanned by our inclusion mapping systems and have already taken orders in the first two months of 2016 equal to the



business realised by the Group in all of Q4 2015. Barring unforeseen circumstances, we expect midstream manufacturing activities to continue to improve over the course of the year,” he added.

This press release should be read in conjunction with Sarine’s FY2015 results announcement released on 28 February 2016 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 diamond Cut, Color and light performance grading tools, 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 visualisation systems. Sarine systems have become an essential gemology tool in every properly equipped gem lab, diamond appraisal business and manufacturing plant, and are today considered essential items by both diamond dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>.

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