



**PRESS RELEASE**  
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## **Despite Continuing Industry Challenges Record Deliveries of 34 Galaxy<sup>®</sup> Family Systems in Q2**

- *On a sequential quarterly basis, Group revenue and Galaxy<sup>®</sup> inclusion scanning recurring revenues in Q2 2019 rose 6% and 15%, respectively, over Q1 2019*
- *Record deliveries of 34 Galaxy<sup>®</sup> family systems to customers in India expanded total installed base to 477 as of 30 June 2019*
- *Scanning activities by the Group's inclusion mapping systems continued at record levels with the number of scans exceeding 55,000 on some days*
- *In H1 2019 over 55% of Group revenue was recurrent in nature and polished diamond retail-related revenues were just under 3% of overall revenue*
- *Besides signing on additional Sarine Profile<sup>™</sup> customers in existing markets, the Group also extended its Sarine Profile<sup>™</sup> customer base to new geographic regions such as Taiwan, India and Israel.*

**Singapore, 8 August 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 second quarter and half year ended 30 June 2019.

## Q2 2019 and H1 Financial Results Review

The Group's operating environment remained difficult in Q2 2019. The level of midstream polishing activities continued to be restrained amidst industry challenges, namely, working capital issues faced by diamond manufacturers under credit tightening policies by Indian banks, dampened consumer sentiments in the Chinese market arising from the ongoing trade disputes with the US, as well as uncertainties surrounding lab-grown diamonds (LGD). As a result, the Group saw a 35% decline in revenue from US\$18.0 million in Q2 2018 to US\$11.6 million in Q2 2019. On a sequential quarterly basis, overall revenue in Q2 2019 rose 6% over Q1 2019 revenue of US\$10.9 million, and Q2 recurring revenues were 15% higher compared to Q1.

During the quarter, the Group delivered a record 34 Meteorite™ systems to customers in India, bringing the total installed base of Galaxy® family systems to 477 as of 30 June 2019. However, the significant decrease in overall sales volume and change in product mix led to a 46% fall in gross profit to US\$6.5 million and a lower gross profit margin of 56%. Although the Group managed to trim research and development expenses as well as sales and marketing expenses, general and administrative expenses were higher due to additional third-party professional fees related to the trial phase of our patent litigation in India. Given reduced revenues and gross profitability, the Group registered a loss of US\$0.9 million from operations. After accounting for income tax expenses, the Group reported a net loss of US\$1.4 million in Q2 2019, of which approximately US\$1.0 million were non-cash items.

For the half year ended 30 June 2019, Group revenue fell 35% to US\$22.5 million, of which over 55% were recurrent in nature. Overall polished diamond retail-related revenues were just under 3% of overall revenue in H1 2019. Due to decline in revenue and gross profitability under tough industry conditions, the Group recorded a net loss of US\$2.8 million in H1 2019, of which approximately US\$2.0 million were non-cash items.

The Board has declared an interim dividend of US cents 0.50 per ordinary share for the half year ended 30 June 2019.



## Prospects

Notwithstanding the difficult market conditions, the Group continued to see scanning activities at record levels, including days when the total number of scans exceeding 55,000. "Sarine has scanned over 50 million stones since the launch of our Galaxy® technology a decade ago. For the whole of 2018, we scanned 12 million stones but in H1 2019 alone, we have already scanned some 8 million stones," commented Mr. David Block, CEO of the Group.

Despite current headwinds in the diamond industry the Group remains focused in its's efforts towards its long-term goal of growing its presence in polished diamonds related services. "During the quarter, we signed on additional Sarine Profile™ customers in China and made our foray into the Taiwanese market with three new Sarine Profile™ customers there. While we work with additional Taiwanese retailers to finalise their implementation, our marketing team is also supporting our prominent Japanese customers, New Art (previously CIMA) and K-Uno, expansion into Taiwan using all our various polished offerings. In addition, some of our existing Sarine Profile™ customers have also adopted our 4Cs automated grading services," added Mr. Block. Outside Asia Pacific, several prominent retailers in northern India have initiated programs using Sarine Profile™ and many more are in various evaluation stages with demo installations. In Israel, the Group has successfully initiated programs with a prominent retailer with outlets in Israel and Eastern Europe.

As for Sarine Diamond Journey™ provenance (traceability) solution, interest has accelerated significantly as evident by enquiries and actual implementations by leading luxury high-end industry players, mid-range retail chains and individual outlets. "Besides comprising the most comprehensive, readily verifiable and tamper-proof information, with minimal overhead associated with its adoption, our solution provides unmatched visual/video means to promote the diamond's story, including an optional 3D-printed scaled model of the actual original rough diamond from which the polished gem was painstakingly derived," explained Mr. Block. Notably, Sarine's long-time customer, New Art, has adopted and launched this new offering with a high profile campaign in Japan. As major midstream polishers become increasingly aware of this new retail opportunity, more are enrolling into the concept to have their stones Journey™-ready. "We will launch an integrated end-to-end solution, from mine to retail outlet,



with a verifiable in-store validation procedure of the polished diamond's provenance at the September Hong Kong show", asserted Mr. Block.

This press release should be read in conjunction with Sarine's Q2 2019 results announcement released on 8 August 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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