



**PRESS RELEASE**

**FOR IMMEDIATE RELEASE**



## **Sarine Technologies Profitability Guidance and Industry Conditions Update on Q2 2019**

**Hod Hasharon, (Israel), 18 July 2019** – 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 as to the Group’s revenues and profitability for Q2 2019.

In our Q1 2019 results press release, published on 12 May 2019, we noted that the prevailing negatives in the diamond industry midstream, which impaired our results in the latter part of 2018, had persisted into FY2019 with negative impact on the Group's financial results.

During Q2 2019 our midstream customers continued to experience working capital issues due to credit tightening policies implemented by Indian banks, the uncertainties caused by the advent of lab-grown diamonds (LGD) in the market remained and the ongoing trade disputes between the U.S. and China still dampened the critically important Chinese market.

All these factors adversely affected conditions in the industry’s midstream and resulted in a reduction of the Group's equipment sales as well as recurring revenues from inclusion mapping services. Notwithstanding DeBeers’ March sight, which was higher than the two initial sights of 2019 and caused some momentary optimism, the miners’ rough output into the pipeline continued to drop, with DeBeers’ latest May and June sights reduced by 25% and 33%, respectively, year-over-year, and Alrosa's sales for the first half of the year down by over 30%.

Notwithstanding all these issues, the Group delivered a record 34 Galaxy®-family inclusion mapping systems this quarter, outpacing Q1's record deliveries by one



system, additional indication of the market's growing understanding and appreciation of the value of our technology over the pirated version of same. However, all of these systems were of the Meteorite™ model, which have significantly lower gross margins than the models for larger stones and, coupled with fewer inclusion mapping scans, as noted above, this continues to impair our overall gross margin similarly as in Q1 2019.

Current indications are that our revenues for the second quarter will be some 5% better than Q1, approximately US\$11.5 million. But, due to the above-noted year-over-year reduction in our gross margin, even with our ongoing prudent management of our operational expenses (no significant increase in these except in G&A, which has bumped up sequentially by some US\$ 0.3 million, due to the trial phase of our patent litigation during Q2), we currently expect that we will record a net loss similar to that of Q1 2019. This loss reflects non-cash expenses (depreciation, amortisation and option based compensation) of approximately one million dollars. The full report of our financials for Q2 2019 are expected to be released on 8 August 2019.

#### **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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