Sarine Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)
(Registration Number: 51-133220-7)

Condensed Consolidated Interim Financial Statements
For the six months and full year ended 31 December 2022

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Sarine Technologies Ltd.
and its Subsidiaries

A. Condensed Consolidated and Company Statements of Financial Position as at December 31

	Group		Company	
	2022	**2021**	**2022**	**2021**
	US$ thousands			
Assets				
Property, plant and equipment	10,431	11,348	1,395	1,199
Right-of-use assets	3,918	4,719	3,751	4,450
Intangible assets	2,051	2,244	70	138
Long-term trade receivables	1,006	700	653	89
Investment in subsidiaries	--	--	36,022	46,308
Long-term income tax receivable	500	500	--	--
Deferred tax assets	499	573	--	--
Total non-current assets	18,405	20,084	41,891	52,184
Inventories	6,859	7,280	4,388	3,544
Trade receivables	21,476	23,061	6,733	7,154
Other current assets	2,496	1,601	1,553	669
Short-term investments (bank deposits)	10,684	9,055	9,627	7,017
Cash and cash equivalents	25,307	27,358	17,216	13,128
Total current assets	66,822	68,355	39,517	31,512
Total assets	85,227	88,439	81,408	83,696
Equity				
Share capital*	--	--	--	--
Share premium and reserves	34,490	34,014	34,490	34,014
Translation reserve	(4,217)	(2,896)	(4,217)	(2,896)
Dormant shares, at cost	(4,829)	(3,935)	(4,829)	(3,935)
Retained earnings	41,652	43,368	41,652	43,368
Total equity	67,096	70,551	67,096	70,551
Liabilities				
Long-term lease liabilities	3,557	4,743	3,524	4,625
Employee benefits	194	275	184	264
Total non-current liabilities	3,751	5,018	3,708	4,889
Trade payables	3,220	2,324	2,544	1,892
Other payables	8,064	7,735	7,139	5,408
Current lease liabilities	812	974	682	722
Current tax payable	1,925	1,504	--	--
Warranty provision	359	333	239	234
Total current liabilities	14,380	12,870	10,604	8,256
Total liabilities	18,131	17,888	14,312	13,145
Total equity and liabilities	85,227	88,439	81,408	83,696

* No par value

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B. Condensed Consolidated Interim Statements of Profit or Loss and Other Comprehensive Income for the Six Months and Years Ended December 31

	Group Six Months Ended December 31,			Group Year ended December 31,		
	2022	2021	change	2022	2021	change
	US$ thousands		%	US$ thousands		%
Revenue	**27,591**	**26,153**	**5.5**	**58,763**	**62,116**	**(5.4)**
Cost of Sales	(9,209)	(7,174)	28.4	(18,140)	(16,289)	11.4
Gross profit	**18,382**	**18,979**	**(3.1)**	**40,623**	**45,827**	**(11.4)**
Research and development expenses	(4,481)	(4,180)	7.2	(8,675)	(8,099)	7.1
Sales and marketing expenses	(6,168)	(5,651)	9.1	(12,425)	(11,038)	12.6
General and administrative expenses	(4,236)	(3,980)	6.4	(8,525)	(7,754)	9.9
Other income from lease termination	--	--		--	267	NA
Profit from operations	**3,497**	**5,168**	**(32.3)**	**10,998**	**19,203**	**(42.7)**
Net finance income (expense)	264	(328)	NA	337	(266)	NA
Profit before income tax	**3,761**	**4,840**	**(22.3)**	**11,335**	**18,937**	**(40.1)**
Income tax expense	1,508	963	56.6	2,537	2,481	2.3
Profit for the period	**2,253**	**3,877**	**(41.9)**	**8,798**	**16,456**	**(46.5)**
Other comprehensive income (loss)						
Remeasurement of defined benefit plan	50	24	108.3	50	24	108.3
Foreign currency translation differences from foreign operations	(574)	(5)	11,380.0	(1,321)	(197)	570.6
Total comprehensive income for the period	**1,729**	**3,896**	**(55.6)**	**7,527**	**16,283**	**(53.8)**
Earnings per share						
Basic earnings per share (US cents)	0.64	1.10	(41.8)	2.51	4.70	(46.6)
Diluted earnings per share (US cents)	0.64	1.10	(41.8)	2.51	4.69	(46.5)

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C. Condensed Consolidated and Company Statements of Changes in Equity for the years ended December 31

Group and Company	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
	US$ thousands					
Balance at January 1, 2021	--	33,149	(2,699)	33,930	(3,689)	60,691
Profit for the year ended December 31, 2021	--	--	--	16,456	--	16,456
Other comprehensive loss for the year ended December 31, 2021	--	24	(197)	--	--	(173)
Dormant shares, acquired at cost (550,000 shares)	--	--	--	--	(246)	(246)
Share-based payment expenses	--	382	--	--	--	382
Exercise of options	--	459	--	--	--	459
Dividend paid	--	--	--	(7,018)	--	(7,018)
Balance at December 31, 2021	--	34,014	(2,896)	43,368	(3,935)	70,551
Profit for the year ended December 31, 2022	--	--	--	8,798	--	8,798
Other comprehensive loss for the year ended December 31, 2022	--	50	(1,321)	--	--	(1,271)
Dormant shares, acquired at cost (3,119,500 shares)	--	--	--	--	(894)	(894)
Share-based payment expenses	--	264	--	--	--	264
Exercise of options	--	162	--	--	--	162
Dividend paid	--	--	--	(10,514)	--	(10,514)
Balance at December 31, 2022	--	34,490	(4,217)	41,652	(4,829)	67,096

* No par value

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D. Condensed Consolidated Statements of Cash Flows for the Years Ended December 31

	Group	
	2022	**2021**
	US$ thousands	
Cash flows from operating activities		
Profit for the year	**8,798**	16,456
Adjustments for:		
Share-based payment expenses	**264**	382
Income tax expense	**2,537**	2,481
Depreciation of property, plant & equipment and right-of-use assets	**2,380**	2,684
Amortisation of intangible assets	**193**	319
Net finance expense	**169**	127
Revaluation of lease liabilities from exchange rate differences	**(630)**	40
Revaluation of bank financing liabilities from exchange rate differences	**--**	(32)
Changes in working capital		
Inventories	**421**	(1,033)
Trade receivables	**1,279**	(952)
Other current assets	**(895)**	(10)
Trade payables	**896**	456
Other liabilities	**(391)**	1,540
Employee benefits	**(81)**	32
Income tax paid	**(2,042)**	(1,361)
Net cash from operating activities	**12,898**	21,129
Cash flows used in investing activities		
Acquisition of property, plant and equipment	**(986)**	(895)
Proceeds from realisation of property, plant and equipment	**51**	138
Short-terms investments, net	**(1,629)**	(2,752)
Restricted short-term investments (bank deposits)	**--**	171
Interest received	**388**	80
Net cash used in investing activities	**(2,176)**	(3,258)
Cash flows used in financing activities		
Proceeds from exercise of share options	**162**	459
Purchase of Company's shares by the Company	**(894)**	(246)
Repayment of bank financing	**--**	(3,389)
Dividends paid	**(10,514)**	(7,018)
Payment of lease liabilities	**(970)**	(1,193)
Interest paid	**(150)**	(218)
Net cash used in financing activities	**(12,366)**	(11,605)
Net (decrease) increase in cash and cash equivalents	**(1,644)**	6,266
Cash and cash equivalents at beginning of year	**27,358**	21,081
Effect of exchange rate fluctuations on cash and cash equivalents	**(407)**	11
Cash and cash equivalents at end of year	**25,307**	27,358

E. Notes to the Condensed Interim Financial Statements as at December 31, 2022

Note 1 – General

Sarine Technologies Ltd. (hereinafter "Sarine" or the "Company") is a company domiciled in Israel. The address of the Company's registered office is 4 Haharash Street, Hod Hasharon 4524075, Israel. The condensed interim financial statements of the Company, as at, December 31, 2022 and for the six months and year ended December 31, 2022, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company was incorporated on November 8, 1988. On April 8, 2005, the Company was admitted to the Main Board list of the Singapore Exchange Securities Trading Ltd. and on July 5, 2021, the Company dual listed its shares for trading on the Tel Aviv Stock Exchange.

Note 2 - Basis of Preparation

A. Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed interim financial statements for the six months and year ended December 31, 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements were authorised for issue by the Company's Board of Directors on February 26, 2023.

B. Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis except for the following material items in the condensed interim statement of financial position:

- liabilities measured at fair value through profit or loss;
- assets and liabilities relating to employee benefits;
- deferred tax assets and liabilities; and
- provisions.

C. Functional and presentation currency

These condensed interim financial statements are presented in United States (US) dollars, or US$, which is the Company's functional currency. The US dollar is the currency that represents the principal economic environment in which the Company and most Group entities operate. All financial information presented in US dollars has been rounded to the nearest thousand, except where otherwise indicated.

D. Use of estimates and judgments

The preparation of condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Certain accounting estimates used in the preparation of the Group's condensed interim financial statements may require management to make assumptions regarding circumstances and events that involve considerable uncertainty. Management prepares these estimates on the basis of past experience, known facts, external circumstances, and reasonable assumptions. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

E. Changes in accounting policies

The accounting policies applied in these condensed interim financial statements for the six months and year ended December 31, 2022 are the same as those applied by the Company in audited financial statements for the year ended December 31, 2021.

Note 3 - Operating Segments

The Group is a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the planning, processing, evaluation and measurement of diamonds and gems. India is the principal market for these products. In accordance with IFRS 8, the Group determines and presents operating segments based on the information that is provided internally to the CEO, who is the Group's chief operating decision maker. The measurement of operating segment results is generally consistent with the presentation of the Group's condensed interim statements of comprehensive income. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution (India, Africa, Europe, USA, Israel and Other).

	Group			
	Six months ended December 31,			
	US$ thousands			
Region	2022	2021	$ change	%
India	14,362	15,394	(1,032)	(6.7)
Africa	6,706	3,620	3,086	85.2
Europe	1,402	778	624	80.2
USA	308	862	(554)	(64.3)
Israel	1,475	1,400	75	5.4
Other*	3,338	4,099	(761)	(18.6)
Total	27,591	26,153	1,438	5.5

	Group			
	Year ended December 31,			
	US$ thousands			
Region	2022	2021	$ change	%
India	30,309	40,540	(10,231)	(25.2)
Africa	13,692	8,171	5,521	67.6
Europe	3,502	1,858	1,644	88.5
USA	842	1,115	(273)	(24.5)
Israel	2,227	2,653	(426)	(16.1)
Other*	8,191	7,779	412	5.3
Total	58,763	62,116	(3,353)	(5.4)

* Primarily Asia, excluding India

Note 4 - Revenue

	Group			
	Six months ended December 31,		Year ended December 31,	
	US$ thousands			
Composition	2022	2021	2022	2021
Sale of products[1]	24,051	21,506	50,785	52,649
Maintenance & services[2]	3,540	4,647	7,978	9,467
Total	27,591	26,153	58,763	62,116

[1] Includes Galaxy® family recurring revenues associated with customer-owned machines.

[2]. Includes annual maintenance contracts and service center revenues

Note 5 – Income Taxes

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim statements of comprehensive income are:

	Group			
	Six months ended December 31,		Year ended December 31,	
	US$ thousands			
	2022	2021	2022	2021
Current tax expense	1,484	756	2,518	2,261
Taxes in respect of previous years	(9)	194	(22)	194
Deferred tax expense	33	13	41	26
Total income tax expense	1,508	963	2,537	2,481

Note 6 – Share Capital – The Company

	December 31, 2022	June 30, 2022	December 31, 2021
	No. of shares	No. of shares	No. of shares
Authorised:			
Ordinary shares of no par value	2,000,000,000	2,000,000,000	2,000,000,000
Issued and fully paid:			
Ordinary shares of no par value	356,447,895	355,677,875	355,480,480
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	(7,509,700)	(4,967,800)	(4,390,200)
Total number of issued shares (excluding dormant shares)	348,938,195	350,710,075	351,090,280

For the six months ended December 31, 2022, 770,020 share options were exercised into ordinary shares. For the six months ended December 31, 2022, the Company purchased 2,541,900 of its ordinary shares at an aggregate cost of US$ 706,000. For the year ended December 31, 2022, 967,415 share options were exercised into ordinary shares. For the year ended December 31, 2022, the Company purchased 3,119,500 of its ordinary shares at an aggregate cost of US$ 894,000. There was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

As at December 31, 2022 the total number of issued shares excluding dormant shares was 348,938,195 (as at December 31, 2021- 351,090,280). As at December 31, 2022 the total number of dormant shares was 7,509,700 (as at December 31, 2021- 4,390,200). In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as the Company holds them, and, as such, they do not bear any rights until they are transferred to a third party. The issued and fully paid shares as at December 31, 2022, June 30, 2022 and December 31, 2021 included 7,509,700, 4,967,800 and 4,390,200 dormant shares, respectively.

For the year ended December 31, 2022, the Company paid US$ 10.5 million in dividends (an interim US$ 1.7 million dividend in December 2022, an interim US$ 5.3 million in September 2022 and a US$ 3.5 million final dividend, in respect of FY2021, in May 2022). See also Note 11 – Subsequent Events.

Note 7 - Share-Based Payments

Details of changes in share options:

	Average exercise price in US$ per share	**Options**
At January 1, 2022	0.657	17,078,523
Granted	0.369	2,530,000
Cancelled	0.987	(3,111,178)
Exercised	0.168	(967,415)
At December 31, 2022	0.572	15,529,930

During the year ended December 31, 2022, the Company granted 2,530,000 options to employees and directors under the Company's 2015 Option Plan, with vesting conditions of one to three years and a contractual life of six years. The options vest subject to service-based conditions and performance-based conditions, relating to sales targets (nil in H2 2022)

The Company measured the fair value of the share options granted using a lattice-based valuation model. The following assumptions under this method were used for the share options granted during the year ended December 31, 2022: weighted average expected volatility of: 45.87%; weighted average risk-free interest rates (in US dollar terms) of 2.44%; dividend yield of 4.48%. The weighted average fair value of the share options granted during year ended December 31, 2022 using the model was US$ 0.113 per share option.

Note 8 – Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the six months ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 2,253,000 (six months ended December 31, 2021 -- US$ 3,877,000) and a weighted average number of ordinary shares outstanding of 350,001,649 (six months ended December 31, 2021 – 350,912,685). The calculation of basic earnings per share for the year ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 8,798,000 (2021 -- US$ 16,456,000) and a weighted average number of ordinary shares outstanding of 350,518,378 (2021 –350,373,322), calculated as follows:

	Six months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Basic earnings per share (US cents)	0.64	1.10	2.51	4.70
Issued ordinary shares at beginning of period	350,710,075	349,575,676	351,090,280	349,831,926
Effect of share options exercised	536,874	1,347,879	400,081	732,903
Effect of dormant shares purchased	(1,245,300)	(10,870)	(971,983)	(191,507)
Weighted average number of ordinary shares during period	350,001,649	350,912,685	350,518,378	350,373,322

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 2,253,000 (six months ended December 31, 2021 -- US$ 3,877,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,100,509 (six months ended December 31, 2021 -351,094,840). The calculation of diluted earnings per share for the year ended December 31, 2022 was based on the profit attributable to ordinary shareholders of US$ 8,798,000 (2021 -- US$ 16,456,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 350,799,554 (2021 -350,867,499), calculated as follows:

	Six months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Diluted earnings per share (US cents)	0.64	1.10	2.51	4.69
Weighted average number of ordinary shares (basic)	350,001,649	350,912,685	350,518,378	350,373,322
Effect of share options on issue	98,860	182,155	281,176	494,177
Weighted average number of ordinary shares (diluted) during period	350,100,509	351,094,840	350,799,554	350,867,499

The average market value of the Company's ordinary shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Note 9 – Leases

	Group		Company	
	December 31,		December 31,	
	2022	2021	2022	2021
	US$ thousands			
Right-of-use assets	3,918	4,719	3,751	4,450
Current lease liabilities	812	974	682	722
Long-term lease liabilities	3,557	4,743	3,524	4,625
Total lease liabilities	4,369	5,717	4,206	5,347

Maturity analysis of the Group's and Company's lease liabilities as at December 31, 2022.

	Group	Company
	US$ thousands	
Less than one year	812	682
One to five years	2,760	2,727
More than five years	797	797
Total lease liabilities	4,369	4,206

The Group has lease agreements with respect to office facilities mainly in Israel and India. The Group also has lease agreements in respect to vehicles in Israel. In measurement of the lease liabilities, the Group discounted lease payments using the nominal incremental borrowing rate as at the lease inception, or at January 1, 2019 for leases in effect prior to December 31, 2018. In April 2021, the Group executed a renegotiated lease agreement for its leased office space at the Group's headquarters in Israel. Under the terms of the agreement, the leased space was downsized by approximately 30% and the financial terms were improved. Under the revised terms, the lease was extended for a period of four years, with an option for a second four-year period. As a result, for the year ended December 31, 2021, the Group recorded a non-cash gain of US$ 267,000 in the condensed interim consolidated statements of comprehensive income.

Note 10 – Commitments

The Group has entered into certain short-term leases for office facilities (less than 1 year). The future minimum non-cancellable lease payments relating to those leases are in the amount of approximately US$ 63,000.

Note 11 – Subsequent Events

On February 26, 2023, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 1.0 cent per ordinary share for the full year ended December 31, 2022. Pursuant to the approval of the Annual General Meeting of the Company’s shareholders to be held on April 24, 2023, the Company expects to pay a US$ 3.5 million dividend on May 12, 2023, with record date on May 2, 2023.

On January 11, 2023, Sarine signed a non-binding memorandum of understanding to acquire a majority stake in New York's Gem Certification and Assurance Lab, Inc. (GCAL), subject to due diligence and executing a definitive agreement, in an all cash consideration. GCAL is a highly respected gemological laboratory founded in 2001. GCAL provides services for the grading and certification of natural and lab-grown diamonds, coloured diamonds, coloured gemstones, pearls and precious metals. GCAL is the only diamond and gemstone ISO 17025 Accredited Forensic Laboratory in the world. Though it has been stipulated by the parties that the terms of the deal are to remain confidential, pending its actual closing, we wish to clarify that it will not fall under the definition of a "major transaction", as per Chapter 10 of the Singapore Exchange Listing Manual.

F. Other Information Required by Listing Rule Appendix 7.2

1. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed. The figures presented were prepared in accordance with International Financial Reporting Standards (IFRS).

2. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

3. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended December 31, 2021 have been applied in the preparation for the financial statements for the financial year ended December 31, 2022.

4. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

5. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	December 31,		December 31,	
	2022	2021	2022	2021
Net asset value (US$ thousands)	67,096	70,551	67,096	70,551
Net asset value per ordinary share:				
US cents	19.23	20.09	19.23	20.09
Singapore cents*	25.86	27.01	25.86	27.01

At December 31, 2022, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2022 of 348,938,195 (not including 7,509,700 dormant ordinary shares at December 31, 2022). At December 31, 2021, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2021 of 351,090,280 (not including 4,390,200 dormant ordinary shares at December 31, 2021).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3446 at December 31, 2022.

6. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

Throughout 2022 the diamond industry faced significant global political and macroeconomic headwinds. The Ukrainian conflict in Europe affected energy and grain prices, driving inflation to exceptionally high levels in the western economies in general, and particularly in the key U.S. market. As a result, the US Federal Reserve raised interest rates aggressively to levels not seen in over a decade, negatively impacting the equities, housing and other markets and thereby eroding consumer confidence. Indeed, in the critical holiday season in the fourth quarter of 2022, retail sales dropped by some 5% year over year. In addition, in the second most important market for diamond jewellery, China, ongoing Zero-Covid pandemic-related restrictions disrupted retail activity throughout the year.

The diamond industry value chain was further impaired by the U.S. sanctions enacted in early April against Alrosa, the Russian producer, typically accounting for over 35% of the global rough diamond production. The expected shortage of rough diamonds drove their prices up throughout most of 2022 (though it is apparent, in retrospect, that Alrosa production did, in fact, mostly enter the value chain).

Concurrent with the increase in rough diamond prices, polished diamond prices in fact eroded for most of the year, commencing in the second quarter through to year's end, as the combined headwinds of inflation and interest rates took their toll on the average consumer's appetite (the demand for high-end luxury brands, mostly bought by the most affluent consumers, showed higher resiliency to the prevailing headwinds). These two divergent trends, increasing rough prices and decreasing polished prices, again manifested themselves as impaired margins for our midstream customers.

The Group reported in H2 2022, revenues of US$ 27.6 million, profit from operations of US$ 3.5 million, and net profit of US$ 2.3 million, as compared to revenues of US$ 26.2 million, profit from operations of US$ 5.2 million, and net profit of US$ 3.9 million reported in H2 2021. For the year ended December 31, 2022, the Group recorded revenues of US$ 58.8 million, profit from operations of US$ 11.0 million and net profit of US$ 8.8 million, as compared to revenues of US$ 62.1 million, profit from operations of US$ 19.2 million and net profit of US$ 16.5 million for the year ended December 31, 2021.

Overall revenues increased in H2 2022, as compared to H2 2021, on increased capital equipment sales following the introduction of the upgraded Meteorite™ Plus in September (significantly improved throughput and a reduction in the necessary operational manpower), despite weakened midstream polishing activities in H2 2022 (especially Q4 2022) that resulted in reduced recurring revenues. Nevertheless, overall revenues in FY2022 decreased, as compared to FY2021, on lower capital equipment sales (mainly in H1 2022) due to global political and macroeconomic headwinds and flattish recurring revenues (mainly from aforementioned polishing activity decline in H2 2022).

The decline in profitability in H2 2022 was mainly due to product mix, resulting in a lower gross profit margin, the overall increase in operating expenses as activities further returned to normal, and increased tax expenses, associated with a one-time repatriation of funds from our wholly owned Indian subsidiary. The decline in profitability in FY2022 was also impacted by overall lower sales.

Overall recurring revenues for H2 2022 (including Galaxy® inclusion scanning, Quazer® services, polished diamond related services, annual maintenance contracts, etc.) were approximately 48% of our overall revenue (approximately 50% for all of FY2022). Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from digital tenders, the Sarine Profile™ and the Sarine Diamond Journey™ were approximately 10% of our overall revenue for H2 2022 (approximately 11% for all of FY2022. We expect Trade revenues to continue growing in FY2023 from new customers and broadened adoption of our technologies.

The Group delivered 61 Galaxy®-family inclusion mapping systems in H2 2022 comprising two Galaxy® Ultra models, five Galaxy® models, 8 Meteor™ models and 46 Meteorite-plus™ and models. Only one Meteor™ systems was sold under the one-off paradigm with no follow-on per-use revenues to be generated from them in the future. As of December 31, 2022, our installed base was 803 systems.

Balance Sheet and Cash Flow Highlights

As at December 31, 2022, cash, cash equivalents, short-term investments (bank deposits) (“Cash Balances”) decreased minimally to US$ 36.0 million as compared to US$ 36.4 million as of December 31, 2021. The Cash Balances were primarily affected by the payment of US$ 10.5 million in dividends (an interim US$ 1.7 million dividend in December 2022, an interim US$ 5.3 million in September 2022 and a US$ 3.5 million final FY2021 dividend in May 2022) and the repurchase of US$ 0.9 million of Sarine shares in the open market, offset by the Group’s profitability in FY2022 and a slight decrease in trade receivables to US$ 22.5 million as at December 31, 2022 (US$23.8 million as at December 31, 2021).

Revenues

Revenues for H2 2022 of US$ 27.6 million, increased by 5%, as compared to revenues of US$ 26.2 million reported in H2 2021. The overall increase in revenues, mainly from Africa and Europe, was due to an approximate 24% increase in capital equipment sales on the backdrop of the launch of the upgraded Meteorite™ Plus in September, offset by an approximate 9% decline in recurring revenues, manifested especially in the fourth quarter, as discussed above. Revenues for the year ended December 31, 2022 of US$ 58.8 million, decreased by 5%, as compared to US$ 62.1 million for the year ended December 31, 2021. The year-over-year decrease in revenues mainly from India, offset somewhat by Africa and Europe, was due to an approximate 11% decrease in capital equipment sales (mainly manifested in H1 2022) and an approximate 1% increase in recurring revenues, due to global political and macroeconomic headwinds for most of FY2022, as discussed above. The increased revenues from Africa were mainly due to increased capital equipment expenditures to develop local manufacturing capabilities, and in Europe due to our trade-related offerings.

Cost of sales and gross profit

Cost of sales for H2 2022 of US$ 9.2 million, increased by 28% (on an increase in revenues of 5%), as compared to US$ 7.2 million in H2 2021, with a gross profit margin of 67% in H2 2022 compared to 73% in H2 2021. The increase in cost of sales in H2 2022 was primarily due to increased capital equipment sales. The decrease in gross profit and the corresponding decrease in gross profit margin were primarily due to product mix (increased capital equipment sales and decreased recurring revenue).

Cost of sales for the year ended December 31, 2022 of US$ 18.1 million, increased by 11% (on a decrease in revenues of 5%), as compared to US$ 16.3 million for the year ended December 31, 2021, with a gross profit margin of 69% in FY2022 compared to 74% in FY2021. The increase in cost of sales in FY2022 was primarily due to product mix. The decrease in gross profit and the corresponding decrease in gross profit margin were primarily due to decreased overall sales and product mix. FY2021 also benefited from the sale of inventory previously written-off in prior periods.

Research and development expenses

Research and development expenses for H2 2022 of US$ 4.5 million increased by 7% as compared to US$ 4.2 million in H2 2021. Research and development expenses for the year ended December 31, 2022 of $8.7 million increased by 7% as compared to US$ 8.1 million for the year ended December 31, 2021. The increase in research and development expenses, as planned, was primarily due to higher employee costs, offset somewhat by lower outsourcing expenses.

Sales and marketing expenses

Sales and marketing expenses for H2 2022 of US$ 6.2 million, increased by 9%, as compared to US$ 5.7 million in H2 2021. Sales and marketing expenses for the year ended December 31, 2022 of US$ 12.4 million by increased 13%, as compared to US$ 11.0 million for the year ended December 31, 2021. The increase in sales and marketing expenses was due primarily to increased advertising and trade-show related expenses, returning more closely to pre-Covid-19 levels, increased sales commissions on higher revenues outside of India and increased direct sales expenses in India and the US.

General and administrative expenses

General and administrative expenses for H2 2022 of US$ 4.2 million, increased by 6%, as compared to US$ 4.0 million in H2 2021. General and administrative expenses for the year ended December 31, 2022 of US$ 8.5 million, increased by 10%, as compared to US$ 7.8 million for the year ended December 31, 2021. The increase in general and administrative expenses was primarily due to increased third-party legal and professional fees related to ongoing multiple patent and copyright litigations and related activities in India and higher provisions for bad debts in FY2022, offset somewhat by decreased incentive-based compensation accruals.

Other income from lease termination

FY 2021 results benefited from a U$ 0.3 million, non-cash gain associated with the downsizing of leased office space at the Group's headquarters in Israel in April 2021.

Profit from operations

The Group reported a decline in profit from operations to US$ 3.5 million in H2 2022, as compared to US$ 5.2 million in H2 2021, and US$ 11.0 million for the year ended December 31, 2022, as compared to US$ 19.2 million for the year ended December 31, 2021. The decline in profit from operations in H2 2022 was mainly due to product mix, resulting in a lower gross profit margin and the overall increase in operating expenses at more normalised pre-Covid-19 spending levels, as activities further returned to normal. The decline in profitability for FY 2022 was also impacted by overall lower sales in FY2022, as detailed above.

Net finance income/expense

Net finance income for H2 2022 was US$ 0.3 million as compared to net finance expense of US$ 0.3 million in H2 2021. Net finance income for the year ended December 31, 2022 was US$ 0.3 million as compared to net finance expense of US$ 0.3 million for the year ended December 31, 2021. The increase in net finance income was due to higher overall interest income during FY2022 as compared to FY2021.

Income tax expense

The Group recorded an income tax expense of US$ 1.5 million for H2 2022 as compared to income tax expense of US$ 1.0 million in H2 2021. The increase in income tax expense on lower profit from operations was primarily associated with a one-time repatriation of funds from our wholly owned Indian subsidiary, resulting in an approximate one time US$ 0.6 million charge to income tax expenses. The Group recorded an income tax expense of US$ 2.5 million for the year ended December 31, 2022, as compared to income tax expense of US$ 2.5 million for the year ended December 31, 2021. The flattish income tax expense was due to reduced profitability offset by the aforementioned one-time charge associated with the repatriation of funds from our wholly owned Indian subsidiary. The Group's income tax is affected by the profitability being realised in various entities of the Group, each subject to different jurisdictions, applicable incentives, and income tax loss carryforwards.

Profit for the period

The Group reported a decline in net profit of US$ 2.3 million in H2 2022, as compared to US$ 3.9 million in H2 2021, and US$ 8.8 million for the year ended December 31, 2022 as compared to US$ 16.5 million for the year ended December 31, 2021. The decrease in net profit was mainly due to lower profit from operations, as detailed above, and the approximate US$ 0.6 million income tax charge, also detailed above.

7. Where a forecast, or a prospect statement, has been previously disclosed to shareholders any variance between it and the actual results.

Not applicable.

8. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue influencing our business:

a. Geopolitical uncertainties prevail. The Ukrainian conflict in Europe continues. Inflation remains high in most western economies, in general, and, particularly, in the key U.S. market, though it has cooled from its summer peaks. To tackle this, the U.S. Fed has raised interest rates aggressively and is projected to continue to do so into at least the first half of 2023, with negative impact on the equities and housing markets. All these factors continue to weigh on consumer sentiment. The Covid-19 virus and its mutations, though still with us, are, following China's abandonment of its Zero Covid policy, hopefully, no longer a cardinal issue affecting the global economy. Still serious supply chain issues affecting many industries, including our suppliers, persist.

b. Consumer demand for diamond jewellery in the key U.S. market has been somewhat affected by the overall uncertainties noted above. However, there are already indications, that following China's cancelling of its Zero Covid policy, retail activity in general, and delayed weddings in particular, are rebounding, and these should drive renewed demand in this second key market.

c. The government of Israel is promoting a broad legislative campaign towards strengthening the executive branch by restraining judicial review, while also granting the executive branch increased control over the appointment of judges. It has been suggested by some that such legislation, if enacted, may damage Israel's credit rating and deter current and future foreign investment activity into Israel. While it is yet too early to ascertain whether the legislative campaign will be fully or partially enacted, we note that at this point the New Israel Shekel (NIS) has recently weakened to a three year low against the US$. While we do not foresee any immediate negative impact on the Group (as, for instance, our balance sheet is debt free, many of our expenses are in NIS and our revenues are in US$), we cannot ascertain what if any impact this legislation will have on our business longer-term.

d. In the upstream, sanctions on the major Russian producer, Alrosa, have had some effect on the supply of rough diamonds into the value chain, but accurate data are elusive. Industry sources and data indicate that the majority of Alrosa's production is, in fact, entering the pipeline, through India and Dubai. As the conflict in Ukraine enters its second year, the U.S. is reportedly looking to tighten its sanctions on Russian diamonds. The E.U. and the U.S. are apparently aiming to develop a "'watertight' traceability system" for diamonds as a way to preclude any importation of Russian sourced gems. "The Belgium government has suggested an international traceability requirement," reported Tom Neys, spokesperson for Antwerp World Diamond Centre, a key Belgian industry group. Their proposal would mean that every company who wants access to the U.S., E.U., and other G-7 markets would need to provide definitive ("watertight") provenance information. We believe that the Sarine AutoScan™, which provides the capability to economically document the rough diamonds at their extraction, and their subsequent traceability by our Sarine Diamond Journey™, can provide the entire value chain with the means with which to fully comply with these new government requirements with minimal disruption.

e. Our revenues from our digital tender services remain strong, with the exception of Alrosa. The ongoing adoption of our digital tenders opens the door for additional collaboration, e.g., on our Sarine Diamond Journey™ provenance solution.

f. Our indicative Galaxy® family scans decreased towards 2022 year-end, as the divergence of rough and polished diamond prices eroded polishers' margins and weaker than expected holiday buying in the U.S. drove inventories of polished diamonds to higher than usual levels. Rough prices have now started declining in certain categories (mostly for larger stones), with sights in December and January substantially (roughly a third) weaker than normal (February's sight was concluded just last week and formal data are not yet available).

Barring further negative developments, we expect, as noted, that the reopening of the Chinese market will drive renewed demand and revitalise the diamond value chain in its entirety, including the midstream polishing segment, key to our business.

g. We are continuously seeing expanding adoption of our Sarine Diamond Journey™ provenance and traceability solution by key industry players. The marketing video portraying the Sarine Diamond Journey™ has been translated into six languages and has been viewed by over a million viewers, including in retail stores. We have a dedicated website and a dedicated Tik Tok channel with over 100,000 followers. The Sarine Diamond Journey™ remains the only viable scalable solution for end-to-end diamond provenance based on actual data and not just self-declarations and sporadic audits, as now proposed by the GIA and others. As environmental, social and governance (ESG) issues are becoming core considerations with consumers (and investors), retailers are increasingly seeking realistic solutions. We are extremely pleased that leading luxury and other retailers have adopted our Sarine Diamond Journey™. Additional retailers in the key U.S. and Chinese (and other) markets continue to evaluate and execute pilot programmes to weigh the adoption of our solution.

h. Our Sarine AutoScan™, a robotic system for the high speed scanning of rough stones, provides the capability to economically document the extraction of rough diamonds at their mined source for their subsequent traceability by the Sarine Diamond Journey™. Several producers and wholesalers, including those directly, often exclusively, linked to mines, have already adopted our Sarine Diamond Journey™ provenance paradigm, and others are in the process of evaluating it for specific segments of their rough production. An even faster version of the Sarine AutoScan™ will be developed in 2023 to broaden the viably addressable market.

i. e-Grading™ continues its broader roll-out to midstream customers, both for natural and lab-grown diamonds (LGD; see below). We continue to enhance its functionality with more sophisticated software. We are pleased that retail brands are adopting our AI-derived grading and expect our planned cooperation with the New-York based GCAL lab will accelerate this process in the U.S. market.

j. The market for LGD again expanded significantly in 2022, due to a segment of consumers, especially in the U.S., accepting LGD as an alternative engagement offering at a lower price point per carat. As retailers are often still hesitant to openly market LGD, estimates vary widely as to their adoption, ranging from 10-15%. The market acceptance of LGD jewellery has created, as we have in the past forecast, a new opportunity for the Group, as virtually all our technologies are applicable to LGD. We believe our business from this growing segment will continue to expand in 2023.

We will focus on the following objectives in 2023:

- Accelerating our Sarine AutoScan™ system's productivity;
- Ongoing incremental improvements of our Advisor® 8.0 software;
- Enhancements to additional models of our Galaxy® family of inclusion scanning systems;
- Adaptation of our technologies to LGD (as well as lower quality natural diamonds) price points;
- Further refine our e-Grading™ AI-based technology;
- Accelerated rollout of our e-Grading™ technology to the midstream and downstream; and
- Subject to successfully culminating the acquisition of a majority stake in GCAL, integration of our downstream marketing efforts in the U.S.

9. Dividend

(a) Current Financial Period Reported
Any dividend declared/recommended for the current financial period reported on?

On February 26, 2023, the Board of Directors recommended that the Annual General Meeting (AGM) approve a final dividend of US 1.0 cent per ordinary share for the financial year ended December 31, 2022. This will bring our total payout for FY2022 to some US$ 10.5 million, if approved at the AGM.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

On February 27, 2022, the Board of Directors recommended that the Annual General Meeting (AGM) approve a final dividend of US 1.0 cent per ordinary share for the financial year ended December 31, 2021.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

	Amount before tax	Tax rate applicable to shareholders
	US$ thousands	Percent
2022	3,489	20%/0%[1] / 10%[2,3]
2021	3,511	20%/0%[1] / 10%[2,3]

[1] The tax rate will be 20% (20% in 2021) for individual Israeli shareholders and 0% (0% in 2021) for Israeli corporate shareholders.
[2] The tax rate for the dividends for individual and corporate Singaporean shareholders is 10% (10% in 2021.
[3] Payments to shareholders of dividends distributed by the Company will be subject to a tax deduction at source at the rate of 20%, in compliance with Israeli tax directives. Tax amounts deducted from dividend payments will be deposited with a trustee. A shareholder claiming eligibility for preferential tax treatment on dividend payments pursuant to Israeli tax laws or international tax treaties may apply to the trustee within 30 days of the distribution date providing all necessary details and documents, for reimbursement of excess deduction, subject to verification of such eligibility. Details regarding the application procedure shall be provided by the Company in the formal dividend announcement posted on the SGX.

(d) Date Payable

	Amount
	US$ thousands
12 May 2023***	3,489
19 May 2022	3,511

(e) Record Date

5:00 PM on:

	Amount
	US$ thousands
02 May 2023***	3,489
09 May 2022	3,511

***Pending Annual General Meeting Approval

10. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

11. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions under Rule 920(1)(a)(ii). If no IPT mandate has been obtained a statement to that effect.

The Group has not obtained a general mandate from its shareholders for IPTs.

12. Negative confirmation pursuant to Rule 705(5) (not required for announcement of full year results).

Not applicable.

13. Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

In accordance with IFRS 8 Operating Segments, the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution.

	India	Africa	Europe	USA	Israel	Others	Consolidated
				2022			
				US$ thousands			
External revenues	30,309	13,692	3,502	842	2,227	8,191	58,763
Unallocated expenses							(47,765)
Profit from operations							10,998
Net finance income							337
Income tax expense							(2,537)
Profit for the year							8,798

	India	Africa	Europe	USA	Israel	Others	Consolidated
				2021			
				US$ thousands			
External revenues	40,540	8,171	1,858	1,115	2,653	7,779	62,116
Unallocated expenses							(42,913)
Profit from operations							19,203
Net finance expense							(266)
Income tax expense							(2,481)
Profit for the year							16,456

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See section 6 above.

16. Breakdown of sales.

	2022	2021
	US$ thousands	
Revenue reported for:		
First half-year ended 30 June	31,172	35,963
Second half-year ended 31 December	27,591	26,153
	58,763	62,116
Profit for the period:		
First half-year ended 30 June	6,545	12,579
Second half-year ended 31 December	2,253	3,877
	8,798	16,456

17. A breakdown of the total annual dividend (in US dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year	Previous Full Year
	US$ thousands	
Ordinary	10,492*	8,780

*Pending Annual General Meeting Approval.

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13)

The Company confirms that, during the year ended December 31, 2022, there was no person occupying any managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

19. Interested Person Transactions

The Company confirms that during the year ended December 31, 2022, the Company was not a party to any interested person transactions.

On behalf of the Directors

Daniel Benjamin Glinert
Executive Chairman

26 February 2023