



OVER 30 YEARS OF INNOVATION

PRESS RELEASE

Business Rebound from Covid Pandemic Raised FY2021 Revenue 52% to US\$62.1 million with Net Profit up Nearly 600% to US\$16.5 million

- **FY2021 gross margin expanded to 74% on higher overall recurring revenues**
- **80 Galaxy®-family inclusion mapping systems delivered in FY2021, lifting the total installed base to 711 systems**
- **Expanding adoption of wholesale and retail trade services boosted Trade-related revenues to 11% of overall revenue in H2 2021 and 8% for the whole of FY2021, a significant increase from the 5% recorded in FY2020**
- **A final dividend of US 1.0 cents per ordinary share was declared for approval at AGM**

Hod Hasharon (Israel) 27 February 2022 - Singapore Exchange Mainboard and Tel Aviv Exchange listed Sarine Technologies Ltd (“**Sarine**” and along with its subsidiaries “**the Group**”) (**U77:SI; SARN.TA**), a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the evaluation, planning, processing, measurement, grading and trading of diamonds and gems, is pleased to announce its full year FY2021 results for the 12 months ended 31 December 2021.

Review of FY2021

The lockdowns following the onset of Covid-19 in H1 2020 disrupted diamond manufacturing activities in India and retailing activities throughout the world. With the gradual resumption of retailing activities in H2 2020, the diamond industry rebounded in late 2020 and this positive momentum carried over into 2021. The pent up demand, continuing restrictions on international travel and fiscal stimulus by many governments contributed to strong consumer demand for diamond jewellery in 2021.



With overall positive business conditions for most of FY2021 and the strong resurgence of diamond manufacturing activities, Group revenue rose 52% to US\$62.1 million, benefiting from increased capital equipment sales and higher recurring revenues, primarily from Galaxy® inclusion scanning revenues, which rose 46% over FY2020 and lifted the gross profit margin to 74%.

Overall recurring revenues (including Galaxy® inclusion scanning, digital tenders, Quazer® services, polished diamond trade-related services, annual maintenance contracts, etc.) were approximately 55% of Group revenue in H2 2021 and 46% of Group revenue in FY2021. 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 11% of group revenue for H2 2021 and 8% for FY2021.

The Group delivered 32 Galaxy®-family inclusion mapping systems in H2 2021 comprising three Galaxy® Ultra models, two Galaxy® models, 6 Meteor™ models and 21 Meteorite™ models. About 40% of the Meteor™ and Meteorite™ systems were sold under the one-off paradigm with no follow-on per-use revenues. A total of 80 Galaxy systems were delivered in FY2021, and, as of 31 December 2021, our installed base was 711 systems.

The improvement in business conditions and strong growth in Group revenue led to a corresponding increase in operating expenses as the Group returned to “normal” expenditures in FY2021, reversing the aggressive cost containment measures which were implemented from March 2020 at the onset of the Covid-19 pandemic. A portion of the increase in general and administrative expenses was primarily due to higher third-party professional fees related to the trial phase of the copyright and patent litigations in India. Although higher, overall operating expenses remained prudent, and this contributed to a 596% increase in net profit to US\$16.5 million in FY2021.

The Board of Directors has recommended a final dividend of US 1.0 cent per ordinary share for FY2021, and when approved at the AGM on 26 April 2022, the dividend is expected to be paid on 19 May 2022.

Prospects

Although the Covid-19 virus and its mutations are still among us, many countries have adopted a strategy of living with Covid-19 that is supported by the widespread availability and use of vaccines as well as the advent of the Omicron variant, which has proven to be extremely contagious but much less problematic in causing serious illness and death. This resumption of activities will support a general economic recovery and positive business conditions. The recent developments in Europe, may affect business conditions, though the extent and the form of the effect are not yet clear.

With the strong holiday season for diamond jewellery in the closing months of 2021 and into early 2022 (for the Chinese New Year and leading up to Valentine's Day), the retail consumer demand for diamond jewellery was set to continue in 2022, as experience-based luxury spending remains impeded. Current developments in Europe may affect global consumer demand. Rough demand in the midstream currently remains bullish, and the increase in the pricing of rough diamonds in 2021 (on average 23% higher for the year) continued in the initial two sights of 2022. This should remain supportive of the demand for our capital equipment as well as Galaxy® scanning activities which hit



an all-time high of 33 million rough diamonds in 2021, over 70% higher than in 2020 (80% more than in 2019). As both the installed base expands and the addressable segments of stone sizes and qualities broadens, due to enhanced technologies and new business models to be introduced in 2022, the level of scanning activities should expand commensurately.

Our Trade revenues, currently mostly from digital tenders, the Sarine Profile™ and the Sarine Diamond Journey™ have grown strongly in FY2021, albeit from a small base, to account for approximately 11% of group revenue for H2 2021 and 8% for FY2021. We expect Trade revenues to continue growing in FY2022 from new customers and the broadening adoption of our new technologies.

The use of digital tenders in the sale of rough diamonds by wholesalers continued to expand in FY2021 (by 243%!), even with the easing of Covid-19 travel restrictions, due to their overall value proposition to buyers and sellers alike. We expect the expansion in the utilisation of our digital tenders paradigm by both producers and wholesale tender houses to continue in 2022, albeit at a less dramatic rate, as the technology improves the transparency of and streamlines the sale process to the benefit of both wholesalers and buyers.

We are continuing to see the increasing adoption of our Sarine Diamond Journey™ provenance and traceability solution by key industry players. Maison Boucheron recently adopted our Sarine Diamond Journey™ as their sustainability solution of choice as well as our AI-based 4Cs grading. Other high-end luxury brands are also in advanced stages of evaluating the adoption of our solution. The recognition by these global household-name brands, along with focused marketing to additional industry opinion leaders, are expected to drive accelerated adoption of the Sarine Diamond Journey™ by additional retailers in 2022. To expand our partnership and cooperation with miners, we will soon begin beta-testing a new system, the Sarine AutoScan™, for the high speed scanning of rough diamonds at the mines. This service will broaden the addressable domain of our Sarine Diamond Journey™ service as the early documentation of the rough stones will enhance traceability, as well as address acute internal inventory control issues miners experience today.

Our current in-lab implementation of our AI-based grading paradigm is gaining traction with leading U.S. and European industry players. A leading U.S. wholesaler has launched a programme of self-branded diamonds graded by our AI-derived 4Cs grading solution. In adopting our AI-derived 4Cs grading, Maison Boucheron was also attracted by the seamless integration of our innovative grading solution with our Sarine Diamond Journey™, and this advantage has attracted the interest of additional luxury brands. Our on-site e-Grading™ has transitioned from beta-testing to initial broader introduction to midstream and downstream customers. We are working to broaden the e-Grading's acceptance in the midstream polishing segment in 2022 by leveraging its clear value added proposition.

This press release is to be read in conjunction with Sarine's FY2021 full year results released to the Singapore Exchange on 27 February 2022.



About Sarine Technologies

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced modeling, analysis, evaluation, planning, processing, finishing, grading and trading systems for diamonds. Sarine products include the Galaxy® family of inclusion and tension mapping systems, rough diamond planning and optimisation technologies, laser cutting and shaping tools, laser-marking, inscription and fingerprinting equipment, automated (AI-derived) Clarity, Color, Cut and light performance grading systems and traceability, visualisation and retailing services. Sarine systems have become standard tools in every modern manufacturing plant, properly equipped gemology 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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