



OVER 30 YEARS OF INNOVATION

PRESS RELEASE

Despite Complex Geopolitical Conditions in H1 2022 Group's Business Results Remain Robust

- Revenues only slightly (-13%) down from exceptional H1 2021, which were boosted by post-covid surge
- Sales of capital equipment fell due to geopolitical uncertainties, but recurrent revenue from both rough and polished diamonds expanded, comprising over 50% of overall revenue
- Wider adoption of Trade services increased related revenues by 70% to 11% of overall revenue in H1 2022
- Gross margin 71%; with operations further normalising to pre-Covid levels and expenditures expanding commensurately, profitability lower
- Interim dividend of US 1.0 cent per ordinary share declared as per the stated dividend policy along with a special interim bonus dividend of US 0.5 cent

Hod Hasharon (Israel) 8 August 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 financial results for the six months ended 30 June 2022.

Review of H1 2022

Geopolitical developments, primarily the war in Ukraine and an increasingly inflationary economic environment, along with ongoing outbreaks of Covid-19 in China and the corresponding lockdowns imposed on some major cities, had an overall negative effect on business conditions, primarily in the second half of H1 2022. Notwithstanding the challenging business environment, the Group realised robust results, with revenues only 13% lower than those reported in H1 2021, which was an exceptionally strong comparable period, driven by a post pandemic surge in diamond jewellery consumer demand and a commensurate surge in polishing activity in the midstream segment of the diamond value chain.



Under challenging conditions, and against an exceptional H1 2021 driven by the aforementioned post-pandemic surge, Group revenue declined from US\$36.0 million in H1 2021 to US\$31.2 million in H1 2022. The uncertainties, fueled by both concerns regarding ongoing consumer demand in an inflationary environment as well as sanctions imposed on the flow of Russian rough diamonds, primarily affected our capital equipment sales, which declined by approximately 30%. However, notwithstanding the imposed sanctions, midstream polishing activities remained robust throughout most of the period and translated into the continued expansion of the utilisation of our Galaxy® inclusion mapping systems. Thus, along with increased Trade-related revenues, recurrent revenue rose in H1 2022 by approximately 12%. With this growth, overall recurrent revenues for H1 2022 (including digital tenders, Galaxy® inclusion scanning, Quazer® services, polished diamond related services, annual maintenance contracts, etc.) were over 50% of group revenue, up from approximately 40% in H1 2021. The new category of Trade-related revenues, within the overall recurrent revenues, grew by some 70% to approximately 11% of Group revenue in H1 2022, up from just under 6% in H1 2021.

The more significant decline (-48%) in profitability in H1 2022 was mainly due to the lower sales and also the overall increase in operating expenses, as operations further returned to their pre-pandemic normal.

The Group delivered 32 Galaxy®-family inclusion mapping systems in H1 2022 with a significantly higher mix (12) of systems for scanning large stones, primarily to customers in Africa. Consistent with previous periods, just over half of the systems delivered for smaller stones scanning were sold under the one-off paradigm with no follow-on recurrent revenues to be generated from them. As of June 30, 2022, the total installed base was 743 systems.

For H1 2022, the Board of Directors has declared an interim dividend of US 1.0 cent per ordinary share as per the stated dividend policy and a special interim bonus dividend of US 0.5 cent. The dividend is expected to be paid on 2 September 2022.

Prospects

Current geopolitical uncertainties are expected to continue through to H2 2022. The Covid-19 virus and its various mutations no longer appear to be an issue for the global economy, with the exception of China. Due to its “zero Covid-19” policy there is potentially ongoing impact on our supply chain as well as impact on retail, which is relevant, as China is the second most important market for polished diamonds. In general, consumer demand in the US for diamond jewellery appears to remain strong, although inflationary conditions could have a dampening effect going forward. US retailers remain cautiously optimistic on prospects for the year-end holiday season.

Demand for our Galaxy® family scans, which remain at previously realised high levels, is expected to continue. This indicates the flow of rough diamonds into the midstream has not diminished significantly, reducing concerns regarding the impact of sanctions on the major Russian producer, Alrosa. Work is ongoing to introduce enhancements to our Meteorite™ system in early H2 2022, which, along with the proven intrinsic value of our Advisor® 8.0 planning software released in H1 2022, should significantly improve the value proposition of our solution, and thus help counter initiatives by illicit competition.



We are continuing to see growing adoption for our broadening range of Trade-related services. We believe the Sarine Diamond Journey™ remains the only viably scalable solution for diamond provenance and as environmental, social and governance (ESG) issues are becoming important considerations with consumers, leading luxury brands are increasingly seeking workable solutions. We are seeing expanding adoption of our Sarine Diamond Journey™ provenance and traceability solution by key luxury global brands including Maison Boucheron and the Aura Consortium comprising LVMH, Cartier and OTB who have adopted our Sarine Diamond Journey™ as their traceability solution of choice. Other high-end luxury brands are also evaluating this key solution.

Our revenues from digital tender services are expected to remain strong, with the exception of Alrosa, and this ongoing adoption of digital tenders paves the way for further collaboration on our Sarine Diamond Journey™ provenance solution. The Sarine Profile™, our digital paradigms providing “profiling” data of a polished diamond, including light performance and imaging techniques, continues to expand, with the significant launch by China's National Gem Testing Centre (NGTC), China's largest gemmological laboratory, of a new light performance grading standard for China utilising our technology.

Critical progress is continuing on two of our key Trade-related services - e-Grading™ and the Sarine AutoScan™. e-Grading™ is transitioning from beta-testing to broader roll-out to midstream customers, and additional retail brands are adopting our AI-derived grading. We continue to enhance its functionality with more advanced hardware and improve its AI-based technology. Our Sarine AutoScan™, a robotic system for the high speed scanning of rough stones, is currently undergoing beta-testing in India. The Sarine AutoScan™ is a high speed and scalable solution, which provides cost effective documentation of rough diamonds at source, for their subsequent traceability. It thus creates a seamless *factual* trail of the diamond's provenance and subsequent cutting and polishing, not available from any other currently available traceability solution, as all competing solutions have now adopted declaratory paradigms as the basis for their report. The Sarine AutoScan™ also addresses acute internal inventory control issues faced by miners today. We are focusing to complete beta-testing and roll out the first pilot sites of our Sarine AutoScan™ system in H2 2022.

The market for lab-grown diamonds (LGD) has expanded significantly in the last 12 months with a segment of consumers, especially in the U.S., accepting LGD as an alternative product at a lower price point per carat. This growing market has provided a new opportunity for the Group as most of our technologies are applicable to LGD. Efforts are in place to expand our business in this growing segment.

This press release is to be read in conjunction with Sarine's H1 2022 half year results released to the Singapore Exchange on 8 August 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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