

Sarine Technologies Ltd. and its Subsidiaries

(Incorporated in Israel)

PART 1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Condensed Interim Statements of Comprehensive Income for the half-year ended June 30, 2021 (US\$'000):

	<u>Group</u>		
	<u>Six months ended</u>		
	<u>2021</u>	<u>June 30,</u> <u>2020</u>	<u>Change</u> <u>%</u>
Revenue	35,963	22,403	60.5
Cost of sales	<u>9,115</u>	<u>8,414</u>	8.3
Gross profit	26,848	13,989	91.9
Research and development expenses	3,919	3,434	14.1
Sales and marketing expenses	5,387	5,286	1.9
General and administrative expenses	3,774	3,124	20.8
Other income from lease termination	<u>(267)</u>	<u>--</u>	NM
Profit from operations	14,035	2,145	554.3
Net finance income	<u>62</u>	<u>37</u>	67.6
Profit before income tax	14,097	2,182	546.1
Income tax expense	<u>1,518</u>	<u>1,009</u>	50.4
Profit for the period	<u>12,579</u>	<u>1,173</u>	972.4
Foreign currency translation differences from foreign operations	<u>(192)</u>	<u>(637)</u>	(69.9)
Total comprehensive income for the period	<u>12,387</u>	<u>536</u>	2,211.0

Additional information: profit before income tax is stated after charging the following:

	<u>Group</u>		
	<u>Six months ended</u>		
	<u>2021</u>	<u>June 30,</u> <u>2020</u>	<u>Change</u> <u>%</u>
Allowance for doubtful trade receivables	(80)	342	NM
Depreciation and amortization	1,489	2,087	(28.7)
Interest (expense) income, net	(136)	19	NM
Exchange rate differences	198	18	1000.0
Warranty provision	32	(23)	NM

NM- Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Condensed Interim Statement of Financial Position as at (US\$'000):

	<u>Group</u>		<u>Company</u>	
	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Assets				
Property, plant and equipment	11,829	12,279	1,237	1,208
Right-of-use assets	5,232	5,050	4,737	4,439
Intangible assets	2,341	2,563	172	206
Long-term trade receivables	2,776	843	1,597	8
Investment in equity accounted investee and subsidiaries	--	--	50,824	44,151
Long-term income tax receivable	1,168	1,168	--	--
Deferred tax assets	586	604	--	--
Total non-current assets	<u>23,932</u>	<u>22,507</u>	<u>58,567</u>	<u>50,012</u>
Inventories	6,658	6,247	3,173	3,277
Trade receivables	24,772	21,966	6,996	5,136
Other current assets	2,143	1,591	1,130	763
Short-term investments (bank deposits)	12,517	6,303	6,109	6,303
Restricted short-term investments (bank deposits)	45	171	45	62
Cash and cash equivalents	23,893	21,081	12,150	10,146
Total current assets	<u>70,028</u>	<u>57,359</u>	<u>29,603</u>	<u>25,687</u>
Total assets	<u>93,960</u>	<u>79,866</u>	<u>88,170</u>	<u>75,699</u>
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(3,848)	(3,689)	(3,848)	(3,689)
Share premium, reserves and retained earnings	75,181	64,380	75,181	64,380
Total equity	<u>71,333</u>	<u>60,691</u>	<u>71,333</u>	<u>60,691</u>
Liabilities				
Long-term bank financing	751	3,141	751	1,149
Long-term lease liabilities	5,051	5,344	4,716	4,914
Employee benefits	240	243	228	232
Total non-current liabilities	<u>6,042</u>	<u>8,728</u>	<u>5,695</u>	<u>6,295</u>
Trade payables	3,926	1,868	2,832	1,828
Other payables	8,666	5,903	7,261	5,869
Short-term bank financing	169	280	169	95
Current lease liabilities	947	1,023	665	724
Current tax payable	2,555	1,083	--	--
Warranty provision	322	290	215	197
Total current liabilities	<u>16,585</u>	<u>10,447</u>	<u>11,142</u>	<u>8,713</u>
Total liabilities	<u>22,627</u>	<u>19,175</u>	<u>16,837</u>	<u>15,008</u>
Total equity and liabilities	<u>93,960</u>	<u>79,866</u>	<u>88,170</u>	<u>75,699</u>

* No par value

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.

	<u>As at June 30, 2021</u>		<u>As at December 31, 2020</u>	
	<u>Secured</u>	<u>Unsecured</u>	<u>Secured</u>	<u>Unsecured</u>
Payable in one year or less, or on demand	--	169	--	280
Payable after one year	--	751	--	3,141

In FY2020 the Group obtained Covid-19 support bank loans under an Israeli government guaranteed loan scheme to support companies' cash flow and mitigate uncertainties following the outbreak of the coronavirus pandemic. The loans, which are unsecured, were granted in New Israel Shekels for a period of 5 years, bearing an annual interest rate of 3.1% (being 1.5% plus Israeli prime) per year. Principal and interest will be paid by the Group beginning from the second year. The government bears the cost of the first year's interest. The Group at its option can repay the loans at any time. During the six month's ended June 30, 2021, the Group repaid approximately US\$ 2.5 million of these loans, leaving an outstanding balance of US\$ 0.9 million as at June 30, 2021. The Group is in compliance with all the loan conditions and covenants.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Condensed Interim Statement of Cash Flows (US\$'000):

	Group	
	Six months ended	
	June 30,	
	2021	2020
Cash flows from operating activities		
Profit for the period	12,579	1,173
Adjustments for:		
Share-based payment expenses	139	271
Income tax expense	1,518	1,009
Depreciation of property, plant & equipment and right-of-use assets	1,267	1,495
Amortisation of intangible assets	222	592
Net finance expense (income)	96	(37)
Revaluation of lease liabilities from exchange rate differences	(205)	(37)
Revaluation of bank financing liabilities from exchange rate differences	(47)	--
Changes in working capital		
Inventories	(411)	(1,387)
Trade receivables	(4,739)	(6,558)
Other current assets	(552)	301
Restricted short-term investments (bank deposits)	126	--
Trade payables	2,058	(1,704)
Other liabilities	2,427	(2,135)
Employee benefits	(3)	(1)
Income tax received (paid), net	(28)	43
Net cash from (used in) operating activities	<u>14,447</u>	<u>(6,975)</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment	(421)	(516)
Proceeds from realization of property, plant and equipment	64	35
Short-term investments, net	(6,214)	5,072
Interest received	53	179
Net cash (used in) from investing activities	<u>(6,518)</u>	<u>4,770</u>
Cash flows used in financing activities		
Proceeds from exercise of share options	24	--
Purchase of Company's shares by the Company	(159)	(113)
Repayment of bank financing	(2,454)	--
Payment of lease liabilities	(630)	(638)
Dividend paid	(1,749)	--
Interest paid	(143)	(205)
Net cash used in financing activities	<u>(5,111)</u>	<u>(956)</u>
Net increase (decrease) in cash and cash equivalents	2,818	(3,161)
Cash and cash equivalents at beginning of the period	21,081	18,284
Exchange rate differences	(6)	63
Cash and cash equivalents at end of the period	<u>23,893</u>	<u>15,186</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Condensed Interim Statement of Changes in Shareholders' Equity

Group (US\$'000)

	<u>Share Capital*</u>	<u>Share premium and reserves</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Dormant shares</u>	<u>Total</u>
Balance at January 1, 2020	--	32,819	(2,437)	32,614	(3,576)	59,420
Profit for the period ended June 30, 2020	--	--	--	1,173	--	1,173
Other comprehensive loss for the period ended June 30, 2020	--	--	(637)	--	--	(637)
Dormant shares, acquired at cost (763,800)	--	--	--	--	(113)	(113)
Share-based payment expenses	--	271	--	--	--	271
Dividend declared	--	--	--	(1,049)	--	(1,049)
Balance at June 30, 2020	<u>--</u>	<u>33,090</u>	<u>(3,074)</u>	<u>32,738</u>	<u>(3,689)</u>	<u>59,065</u>
Balance at January 1, 2021	--	33,149	(2,699)	33,930	(3,689)	60,691
Profit for the period ended June 30, 2021	--	--	--	12,579	--	12,579
Other comprehensive loss for the period ended June 30, 2021	--	--	(192)	--	--	(192)
Dormant shares, acquired at cost (350,000)	--	--	--	--	(159)	(159)
Share-based payment expenses	--	139	--	--	--	139
Exercise of options	--	24	--	--	--	24
Dividend paid	--	--	--	(1,749)	--	(1,749)
Balance at June 30, 2021	<u>--</u>	<u>33,312</u>	<u>(2,891)</u>	<u>44,760</u>	<u>(3,848)</u>	<u>71,333</u>

* No par value

Condensed Interim Statement of Changes in Shareholders' Equity

Company (US\$'000)

	<u>Share Capital*</u>	<u>Share premium and reserves</u>	<u>Translation reserve</u>	<u>Retained earnings</u>	<u>Dormant shares</u>	<u>Total</u>
Balance at January 1, 2020	--	32,819	(2,437)	32,614	(3,576)	59,420
Profit for the period ended June 30, 2020	--	--	--	1,173	--	1,173
Other comprehensive loss for the period ended June 30, 2020	--	--	(637)	--	--	(637)
Dormant shares, acquired at cost (763,800)	--	--	--	--	(113)	(113)
Share-based payment expenses	--	271	--	--	--	271
Dividend declared	--	--	--	(1,049)	--	(1,049)
Balance at June 30, 2020	<u>--</u>	<u>33,090</u>	<u>(3,074)</u>	<u>32,738</u>	<u>(3,689)</u>	<u>59,065</u>
Balance at January 1, 2021	--	33,149	(2,699)	33,930	(3,689)	60,691
Profit for the period ended June 30, 2021	--	--	--	12,579	--	12,579
Other comprehensive loss for the period ended June 30, 2021	--	--	(192)	--	--	(192)
Dormant shares, acquired at cost (350,000)	--	--	--	--	(159)	(159)
Share-based payment expenses	--	139	--	--	--	139
Exercise of options	--	24	--	--	--	24
Dividend paid	--	--	--	(1,749)	--	(1,749)
Balance at June 30, 2021	<u>--</u>	<u>33,312</u>	<u>(2,891)</u>	<u>44,760</u>	<u>(3,848)</u>	<u>71,333</u>

* No par value

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	<u>June 30, 2021</u>	<u>December 31, 2020</u>	<u>June 30, 2020</u>
	<u>No. of shares</u>	<u>No. of shares</u>	<u>No. of shares</u>
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	353,765,876	353,672,126	353,672,126
Dormant shares (out of the issued and fully paid share capital):			
Ordinary shares of no par value	4,190,200	3,840,200	3,840,200
Total number of issued shares (excluding dormant shares)	<u>349,575,676</u>	<u>349,831,926</u>	<u>349,831,926</u>

For the six months ended June 30, 2021, 93,750 share options were exercised into ordinary shares. For the six months ended June 30, 2021, the Company purchased 350,000 of its ordinary shares at an aggregate cost of US\$ 159,000.

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 June 30, 2021, December 31, 2020 and June 30, 2020 included 4,190,200, 3,840,200 and 3,840,200 dormant shares, respectively.

Details of changes in share options:

	<u>Average exercise price in US\$ per share</u>	<u>Options</u>
At January 1, 2021	0.684	21,460,006
Granted	0.443	1,890,000
Cancelled	0.716	(1,458,768)
Exercised	0.263	(93,750)
At June 30, 2021	0.651	<u>21,797,488</u>

At June 30, 2021, the average exercise price in Singapore dollars per share was S\$ 0.876, based on an exchange rate of US\$ 1 = S\$ 1.3444.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at June 30, 2021 the total number of issued shares excluding dormant shares was 349,575,676 (as at December 31, 2020 - 349,831,926). As at June 30, 2021, the total number of dormant shares was 4,190,200 (as at December 31, 2020 - 3,840,200).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

For the six months ended at June 30, 2021, the Company purchased 350,000 of its ordinary shares, and there was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

1(e) Notes to the Condensed Interim Financial Statements

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, June 30, 2021 and for the six months ended June 30, 2021, 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 ended June 30, 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and the Group’s performance since the most recent audited annual financial statements for the year ended December 31, 2020.

The condensed interim financial statements were authorised for issue by the Company’s Board of Directors on August 4, 2021.

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 ended June 30, 2021 are the same as those applied by the Company in audited financial statements for the year ended December 31, 2020.

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, North America, Israel and Other).

Region	Group	
	Six months ended June 30,	
	(US\$ '000)	
	2021	2020
India	25,146	17,187
Africa	4,551	1,375
Europe	1,080	478
North America	253	754
Israel	1,253	837
Other*	3,680	1,772
Total	35,963	22,403

* Primarily Asia, excluding India

Note 4 - Revenue

Composition

	Group	
	Six months ended June 30,	
	2021	2020
	(US\$ '000)	
Revenue from sale of products ¹	31,143	19,438
Revenue from maintenance and services	4,820	2,965
	35,963	22,403

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

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 June 30,	
	2021	2020
	(US\$ '000)	
Current tax expense	1,505	740
Deferred tax expense	13	269
Total income tax expense	1,518	1,009

Note 6 – Share Capital – The Company

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>No. of shares</u>	<u>No. of shares</u>
Authorised:		
Ordinary shares of no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary shares of no par value	353,765,876	353,672,126
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	4,190,200	3,840,200
Total number of issued shares (excluding dormant shares)	<u>349,575,676</u>	<u>349,831,926</u>

For the six months ended June 30, 2021, 93,750 share options were exercised into ordinary shares. For the six months ended June 30, 2021, the Company purchased 350,000 of its ordinary shares at an aggregate cost of US\$ 159,000.

For the six months ended June 30, 2021, the Company paid dividends a final dividend in respect of FY2020, in the amount of US\$ 1.7 million amounting to US cents 0.5. See also Note 12 – Subsequent Events.

Note 7 - Share-Based Payments

Details of changes in share options:

	<u>Average exercise price in US\$ per share</u>	<u>Options</u>
At January 1, 2021	0.684	21,460,006
Granted	0.443	1,890,000
Cancelled	0.716	(1,458,768)
Exercised	0.263	(93,750)
At June 30, 2021	0.651	<u>21,797,488</u>

During the six months ended June 30, 2021, the Company granted 1,890,000 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.

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 six months ended June 30, 2021: weighted average expected volatility of: 46.95%; weighted average risk-free interest rates (in US dollar terms) of 0.94%; dividend yield of 3.83%. The weighted average fair value of the share options granted during six months ended June 30, 2021 using the model was US\$ 0.144 per share option.

Note 8 – Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the six months ended June 30, 2021 was based on the profit attributable to ordinary shareholders of US\$ 12,579,000 (six months ended June 30, 2020 -- US\$ 1,173,000) and a weighted average number of ordinary shares outstanding of 349,825,020 (2020 --350,285,450), calculated as follows:

	Six months ended June 30,	
	2021	2020
Issued ordinary shares at January 1	349,831,926	350,595,726
Effect of share options exercised	12,431	--
Effect dormant shares purchased	(19,337)	(310,276)
Weighted average number of ordinary shares at June 30	<u>349,825,020</u>	<u>350,285,450</u>

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended June 30, 2021 was based on the profit attributable to ordinary shareholders of US\$ 12,579,000 (six months ended June 30, 2020 -- US\$ 1,173,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 349,775,551 (2020 -350,285,450), calculated as follows:

	Six months ended June 30,	
	2021	2020
Weighted average number of ordinary shares (basic)	349,825,020	350,285,450
Effect of share options on issue	(49,469)	--
Weighted average number of ordinary shares (diluted) at June 30	<u>349,775,551</u>	<u>350,285,450</u>

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

<u>(US\$ '000)</u>	<u>Group</u>		<u>Company</u>	
	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Right-of-use assets	5,232	5,050	4,737	4,439
Current lease liabilities	947	1,023	665	724
Long-term lease liabilities	5,051	5,344	4,716	4,914
Total lease liabilities	<u>5,998</u>	<u>6,367</u>	<u>5,381</u>	<u>5,638</u>

Maturity analysis of the Group's and Company's lease liabilities as at June 30, 2021.

<u>(US\$ '000)</u>	<u>Group</u>	<u>Company</u>
Less than one year	947	665
One to five years	3,000	2,665
More than five years	2,051	2,051
Balance at June 30, 2021	<u>5,998</u>	<u>5,381</u>

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 six months ended June 30, 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\$ 10,000.

Note 11 - Loans and Borrowings

This note provides information regarding the contractual terms of the Group's interest bearing loans and borrowings measured at amortized costs as at June 30, 2021 and December 31, 2020.

	As at <u>June 30, 2021</u>	As at <u>December 31, 2020</u>
Payable in one year or less, or on demand	169	280
Payable after one year	751	3,141
Total bank financing	<u>920</u>	<u>3,421</u>

In FY2020 the Group obtained Covid-19 support bank loans under an Israeli government guaranteed loan scheme to support companies' cash flow and mitigate uncertainties following the outbreak of the coronavirus pandemic. The loans were granted in New Israel Shekels for a period of 5 years, bearing an annual interest rate of 3.1% (being 1.5% plus Israeli prime) per year. Principal and interest will be paid by the Group beginning from the second year. The government bears the cost of the first year's interest. The Group at its option can repay the loans at any time. During the six month's ended June 30, 2021, the Group repaid approximately US\$ 2.5 million of these loans, leaving an outstanding balance of US\$ 0.9 million as at June 30, 2021. The Group is in compliance with all the loan conditions and covenants.

Note 12 – Subsequent Events

On August 4, 2021, the Board of Directors of the Company declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2021. The Company expects to pay a US\$ 5,244,000 on September 3, 2021, with record date on August 16, 2021.

2. 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.

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

Not applicable.

4. 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, 2020 have been applied in the preparation for the financial statements for period ended June 30, 2021.

5. 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.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	For the six months ended June 30,	
	<u>2021</u>	<u>2020</u>
<u>US cents</u>		
Basic earnings per share	3.60	0.33
Diluted earnings per share	3.60	0.33
<u>Singapore cents*</u>		
Basic earnings per share	4.84	0.44
Diluted earnings per share	4.84	0.44

Basic earnings per share for the six months ended June 30, 2021 are calculated based on the weighted average number of 349,825,020 ordinary shares issued during the current period and the equivalent of 350,285,450 ordinary shares during the preceding period.

Diluted earnings per share for the six months ended June 30, 2021 are calculated based on weighted average number of 349,775,551 ordinary shares and outstanding options and the equivalent of 350,285,450 ordinary shares during the preceding period.

* Convenience translation based on exchange rate of US\$ 1= S\$ 1.3444 at June 30, 2021.

7. 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.**

	<u>Group</u>		<u>Company</u>	
	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>June 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Net asset value (US\$ thousands)	71,333	60,691	71,333	60,691
Net asset value per ordinary share (US cents)	20.41	17.35	20.41	17.35
Net asset value per ordinary share (Singapore cents*)	27.44	23.33	27.44	23.33

At June 30, 2021, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2021 of 349,575,676 (not including 4,190,200 dormant ordinary shares at June 30, 2021). At December 31, 2020, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2020 of 349,831,926 (not including 3,840,200 dormant ordinary shares).

* Convenience translation based on exchange rate of US\$ 1=S\$ 1.3444 at June 30, 2021.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (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

Further to our updates to investors on 29 April, 2021, 9 May 2021 and 16 June 2021, results in H1 2021 benefited from the strong resurgence of manufacturing activities commencing late in the third quarter of 2020 and carrying over into 2021. The recovery was driven by the reopening of retail activities in key global markets in late summer 2020, which culminated in a stronger than expected end-of-year holiday season in the crucial U.S. market, as well as a strong Chinese New Year season in early 2021 throughout most of the Asia-Pacific market. As consumer demand for diamond jewellery remains robust in all major markets, due also to the limited availability of alternative channels for luxury spending (e.g., leisure travel), the recovery has continued into 2021. This recovery withstood the challenges and uncertainties stemming from the resurgence of the Covid-19 virus in India for much of April and May 2021. In fact, due to these uncertainties, the seasonal May summer vacation shutdown in India, which typically lasts 2-3 weeks, was cancelled by many of the midstream manufacturers fearing imminent lockdowns, thus actually allowing near continuous work throughout May and June 2021.

On the backdrop of these overall positive business conditions, the Group reported in H1 2021, revenues of US\$ 36.0 million, profit from operations of US\$ 14.0 million, and net profit of US\$ 12.6 million, as compared to revenues of US\$ 22.4 million, profit from operations of US\$ 2.1 million, and net profit of US\$ 1.2 million reported in H1 2020. The strong resurgence of manufacturing activities in 2021 resulted in a significant increase in revenues in H1 2021, both higher recurring revenues from Galaxy[®] inclusion scanning and increased capital equipment sales. Profitability in H1 2021 was significantly higher, having benefited from higher gross profit margins due to both sales volumes and product mix. The increase in the gross profit was offset, somewhat, by increased operating expenses as the Group returned to "normal" spending, reversing the aggressive cost containment measures taken in H1 2020 at the onset of the Covid-19 pandemic. H1 2021 results also benefited from a one-time US\$ 0.3 million non-cash gain associated with the down-sizing of leased office space at the Group's headquarters in Israel in April 2021.

The Group delivered 48 Galaxy[®]-family inclusion mapping systems in H1 2021 comprising 4 Galaxy[®] Ultra models, 4 Galaxy[®] models, 2 Solaris[™] models, 16 Meteor[™] models and 22 Meteorite[™] models. As of June 30, 2021, our installed base was 679 systems. The Solaris[™], Meteor[™] and Meteorite[™] systems (excluding 3 Meteorite[™] systems) were sold under the one-off paradigm with no follow-on per-use revenues to be generated from them in the future.

The increased midstream diamond polishing activity in H1 2021 resulted in an over 80% increase in recurring revenues (mainly from Galaxy[®] inclusion scanning) as compared to H1 2020. Overall recurring revenues for H1 2021 (including Galaxy[®] inclusion scanning, Quazer[®] services, polished diamond related services, annual maintenance contracts, etc.) was approximately 40% of our overall revenue (approximately 35% for H1 2020). Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from digital tenders, the Sarine Profile[™] and the Sarine Diamond Journey[™] were just under 6% of our overall revenue for H1 2021.

Balance Sheet and Cash Flow Highlights

As at June 30, 2021, cash, cash equivalents, short-term investments (bank deposits) and restricted short-term investments ("Cash Balances") increased to US\$ 36.5 million as compared to US\$ 27.6 million as of December 31, 2020. The increase in Cash Balances was primarily due to the Group's significantly improved profitability in H1 2021, offset somewhat by increased trade receivables of US\$ 27.5 million as at June 30, 2021 (US\$22.8 million as at December 31, 2020), due primarily to credit terms offered to customers, the payment of a US\$ 1.7 million final FY2020 dividend in May 2021, and the repayment of US\$ 2.5 million Covid-19 related Israel government sponsored bank loans (see 1(b)(ii) above).

Revenues

Revenue by geographic segments -- (US\$ '000)

H1 2021 versus H1 2020				
Region	H1 2021	H1 2020	\$ change	% change
India	25,146	17,187	7,959	46.3
Africa	4,551	1,375	3,176	231.0
Europe	1,080	478	602	125.9
North America	253	754	(501)	(66.4)
Israel	1,253	837	416	49.7
Other*	3,680	1,772	1,908	107.7
Total	35,963	22,403	13,560	60.5

* Primarily Asia, excluding India

The Group reported revenues of US\$ \$36.0 million in H1 2021, as compared to revenues of US\$ 22.4 million reported in H1 2020. The year-over-year increase in revenues across most geographies was due to an approximate 50% increase in capital equipment sales and an approximate 80% increase in recurring revenues, resulting from the strong resurgence of manufacturing activities in 2021, especially in India, following the recovery in the global diamond industry in H1 2021, as compared to the depressed revenue results in H1 2020, resulting from the onset of the Covid-19 pandemic in late Q1 2020, as discussed above and in Section 10.

Cost of sales and gross profit

Cost of sales for H1 2021 increased by 8.3% (on an increase in revenues of 60.5%) to US\$ 9.1 million as compared to US\$ 8.4 million in H1 2020, with a gross profit margin of 75% in H1 2021 compared to 62% in H1 2020. The increase in cost of sales in H1 2021 was due to increased capital equipment sales. The increase in gross profit and the corresponding increase in gross profit margin were primarily due to increased overall sales and product mix, including a higher mix of recurring revenue and the sale of inventory previously written-off in prior periods.

Research and development expenses

Research and development expenses for H1 2021 of US\$ 3.9 million increased by 14.1% as compared to US\$ 3.4 million in H1 2020. The increase in research and development expenses was primarily due to higher employee compensation and outsourcing, following the winding down of cost containment measures initiated in Q2 2020, following the onset of Covid-19, and lasting most of FY2020 (which included temporary reductions in staff salaries).

Sales and marketing expenses

Sales and marketing expenses for H1 2021 increased minimally to US\$ 5.4 million as compared to US\$ 5.3 million in H1 2020. The increase in sales and marketing expenses was due primarily to increased sales related expenses, including increased sales commissions on higher revenues and increased sales staffing in the Asia Pacific region, offset by lower advertising and trade-show related expenses. Advertising expenses began a return to more normalised pre-Covid-19 levels in the latter part of H1 2021.

General and administrative expenses

General and administrative expenses for H1 2021 increased by 20.8% to US\$ 3.8 million as compared to US\$ 3.1 million in H1 2020. The increase in general and administrative expenses was primarily due to increased incentive-based compensation accruals from significantly higher profitability in H1 2021 and due to increased third-party professional fees as the copyright litigation in India entered the actual trial phase. H1 2020 expenses were constrained by cost containment measures initiated from April 2020.

Other income from lease termination

The H1 2021 results benefited from a US\$ 0.3 million, non-cash gain associated with the down-sizing of leased office space at the Group's headquarters in Israel in April 2021.

Profit from operations

The Group reported significantly higher profit from operations of US\$ 14.0 million in H1 2021, as compared to US\$ 2.1 million in H1 2020. The increase in profit from operations was mainly due to the significantly higher gross profit in H1 2021 stemming from the meaningfully higher sales, as detailed above.

Net finance income

Net finance income for H1 2021 was US\$ 62,000 as compared US\$ 37,000 in H1 2020. The increase in net finance income was due to higher exchange rate income during H1 2021 as compared to H1 2020.

Income tax expense

The Group recorded an income tax expense of US\$ 1.5 million for H1 2021 as compared to an expense of US\$ 1.0 million in H1 2020. The increase in income tax expense was primarily due to increased profitability in H1 2021, 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 recorded net profit of US\$ 12.6 million in H1 2021, as compared to net profit of US\$ 1.2 million in H1 2020. The increase in net profit was mainly due to the significantly higher operational profit in H1 2021, as detailed above.

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

Deliveries of Galaxy[®]-family systems were lower than anticipated in H1 2021 due to somewhat lower production volumes in Q1 2021, stemming from our postponement of component acquisition and the consequent reduction of inventories during the pandemic crisis of 2020, and uncertainties stemming from the April-May Covid-19 outbreak in India. While we see positive indications for Galaxy[®] sales in H2 we may not attain the originally anticipated delivery levels similar to the 145 systems delivered in 2019, as stated in our FY2020 Section 10 commentary.

10. 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. Though vaccination drives are underway worldwide, the Covid-19 virus and its mutations are still an issue that is affecting the global economy in general, including the diamond value chain. Many countries have decided to adopt a strategy of living alongside Covid-19 rather than locking everything down, which is not sustainable. Still, there is economic uncertainty, and restrictions are still in effect to varying degrees in various geographies – particularly, Europe and Asia (other than China) are experiencing a surge in the Delta variant of Covid-19 with varying government-mandated restrictions affecting retail activity negatively. Having said that, retail consumer demand in the U.S. and China, the world's two key markets for luxury spending, accounting together for over 60% of global demand for diamond jewellery, is robust, also due to restrictions on travel and other alternative channels of discretionary spending. The strong recovery in Indian manufacturing activity witnessed in the fourth quarter of 2020 carried on into 2021 for the entire initial half year. Even during May, which typically shows reduced activity during the Indian summer vacation break, polishing continued unabated, with most manufacturers foregoing their vacation shutdowns. Even the surge in Covid-19 incidence in India in April – May did not have a major impact on rough diamond polishing activities. Though due to the U.S. and European summer vacation season,

July and August are typically months of reduced trading activities, current data show manufacturing and polish sales activities are continuing at a brisk pace. Expectations are for a strong end-of-year holiday season. Still, the uncertainties of the pandemic may still pose a risk going forward.

- b. On the backdrop of the above-noted surge in polishing activity, DeBeers reported US\$ 663 million in sales in January 2021, its strongest selling cycle in three years. The ensuing five cycles through July also demonstrated strong sales, totaling US\$ 2.52 billion for the first half year of 2021, with some cycles only limited by the inability of the producer to meet demand. Alrosa, the Russian producer, experienced similar strong demand for its goods. Consequently, producers have raised the prices of rough diamonds consistently for the past five months, reversing the price reductions of 2020 and escalating prices higher. Still rough demand in the midstream remains bullish, and 10% and even higher margins are being realised in the secondary rough market. We are concerned that, as rough price increases are outpacing the rise in polished diamond prices, there is mounting pressure on midstream profitability, which will not be sustainable. We hope that a new level of equilibrium will be attained soon.
- c. Digital tenders implementing Sarine's technologies, offered by leading producers including Alrosa, Lucara and Grib, who has also adopted the paradigm, as announced on June 2, 2021, and by secondary wholesale dealers, are expanding as an alternative and/or complementary to travel under Covid-19 restrictions. Additional key producers continue to express interest, and we believe they too are progressing towards the adoption of our digital sales enabling technologies.
- d. Due to the reduction of inventories in 2020 and the current robust demand for polished output, the diamond industry midstream manufacturing sector has significantly reduced its use of working capital from banks and is in a healthier financial condition than at any previous time in the past decade. Thus, credit issues are not an issue at this time. However, as polished diamond inventories are increasing again, which may also affect polishing activities going forward, lending has increased somewhat since the beginning of the year, but there is currently still ample liquidity.
- e. The Group delivered 48 Galaxy[®]-family inclusion mapping systems in H1 2021 comprising 4 Galaxy[®] Ultra models, 4 Galaxy[®] models, 2 Solaris[™] models, 16 Meteor[™] models and 22 Meteorite[™] models. Deliveries of Galaxy[®]-family systems were lower than anticipated in H1 2021 due to somewhat lower production volumes in Q1 2021, stemming from our postponement of component acquisition and the consequent reduction of inventories during the pandemic crisis of 2020, and uncertainties stemming from the April-May Covid-19 outbreak in India. We expect to see stronger deliveries of Galaxy[®] family systems going forward into the second half of 2021. The Solaris[™], Meteor[™] and Meteorite[™] systems (excluding 3 Meteorite[™] systems) were sold under the one-off paradigm with no follow-on per-use revenues to be generated from them in the future. This paradigm does, however, contribute to higher immediate revenues and higher gross margins, as evidenced in the financial results reported for the first half of the year. As of June 30, 2021 our installed base was 679 systems. Due to the aforementioned recovery in rough diamonds sales and the consequent manufacturing activity, we have witnessed record-setting use of our inclusion mapping systems worldwide, setting new records of daily usage with peaks of nearly 110,000 rough diamonds daily. Average usage throughout H1 2021 equates (on an annualised basis) over 30 million rough diamonds, which would be more than a 50% increase over pre-pandemic levels.
- f. The Sarine Profile[™], the umbrella term for our digital paradigms providing “profiling” data pertaining to a polished diamond, including light performance and imaging techniques, continues to expand slowly, with new programs being initiated primarily, but not only, in the APAC market. Notably a major U.S. wholesaler is launching a program of self-branded diamonds utilising both our Sarine Profile[™] and AI-derived 4Cs grading solutions.
- g. We are continuing to see very strong interest in our Sarine Diamond Journey[™] provenance and traceability solution. We are expanding our partnering with key miners Alrosa, Lucara and Grib. Significantly, many additional producers are evaluating the application of our technology as a key solution to varied issues of concern. With our ongoing refinement of the technology utilised at the mine for the initial scanning of the rough diamonds and its adaptation to high-throughput operations, we expect its broader adoption both for downstream traceability as well as to resolve other existing producer needs. Our collaboration with leading producers and our formidable market-leading presence in the midstream polishing segment allow us to collate actual documentary traceability verification data throughout the pipeline flow, with minimal additional overhead or disruption to existing workflow patterns. With expanded cooperation with producers this will preclude the need to resort to declaratory inputs, as compared to other provenance tracing offerings. Leading brands, having satisfied themselves of the unique attributes of our Sarine Diamond Journey[™], are now in the process of running pilot programs. Both the story-telling and the sustainability/responsibility aspects of our solution are driving their interest. We are confident commercial adoption will follow later in 2021 or early 2022. We are hopeful

that the seamless integration of the Sarine Diamond Journey™ with our e-Grading™ initiative will mutually contribute to both these offerings broader market acceptance.

- h. e-Grading™, currently in beta-testing, including second generation Clarity and Color grading equipment, enables truly objective and consistent grading at a fraction of the time currently associated with having the grading done at an external third-party lab - hours vs. currently over a month and with none of the indirect costs of shipping, insurance, customs handling, etc. Furthermore, as our e-Grading™ paradigm is carried out on-site by the manufacturer's personnel (not professional gemmologists), it will also reduce the direct cost, today ranging up to 5% of the value of the polished diamond, in an industry which typically has single digit margins. e-Grading™ also offers a completely new level of operational flexibility – the polisher can prioritise its diamonds' sequence of grading to best meet delivery schedules. The first half of 2021 was dedicated to the ongoing beta-testing and refinement of the solution and the implementation of the necessary operational cloud infrastructure. Broader introduction to the midstream polishers is scheduled towards the end of 2021. It is noteworthy that in the interim the current in-lab implementation of our AI-based grading paradigm is continuing to gain traction with leading U.S. and European industry players.
- i. The market acceptance of lab-grown diamond (LGD) jewellery has created, as we have in the past forecast, a new opportunity for the Group. Having verified the adaptability of our various technologies to LGD manufacturing, grading and trade, we are now extending our efforts to penetrate this rapidly growing market segment. As announced on May 25, we have entered into a strategic collaboration agreement with the Constell Group, which will initially focus on this segment and provide technological solutions for the evaluation and planning of raw LGD material and polishing into polished diamonds. We expect our Sarine Diamond Journey™ and e-Grading™ may also be utilised to support the joint endeavour's customers' grading and trading needs. The business model will remunerate Sarine based on each diamond processed, regardless of the specific technologies applied in the processing.

We will focus our initiatives on the following objectives in H2 2021:

The Group's research and development initiatives will be:

- Continue optimising our Advisor® planning proposition and bolstering its IP protection features, to be released as Advisor® 8.0;
- Continue refining our provenance (Sarine Diamond Journey™) offering, including implementation of high productivity capabilities;
- Continue refining our e-Grading™ AI-based technology with second generation Clarity and Color technologies;
- Enhance Clarity grading with fine-sorting of a diamond's inclusion characteristics in accordance with customer-specific industry-accepted sub-grades pertaining to the diamond's actual appearance (e.g., "eye-clean", "no black inclusions", "no inclusions under the table", etc.) as well as by its Color in accordance with tinting (brownish, greenish, etc.) and other relevant criteria;
- Scaling up of our e-Grading solution to include advanced monitoring and process management;
- Develop LGD-compatible derivatives of our technologies, to allow their cost-effective application to LGD manufacturing.

The Group's marketing efforts will focus on:

- Continuing our aggressive marketing campaigns of our Galaxy® family Solaris™, Meteor™ and Meteorite™ models;
- The broader adoption of the Group's Sarine Profile™ and Sarine Diamond Journey™ solutions, especially broadening our cooperation with additional producers (often by initial cooperation on implementation of our digital tenders paradigm) and high-end luxury retailers;
- The commercial rollout of our e-Grading™ innovation;
- Expanding our presence in the LGD segment;
- Enhancing the Sarine brand recognition at the retail and end-consumer level through targeted social media and similar initiatives.

11. Dividend

(a) Current Financial Period Reported

Any dividend declared/recommended for the current financial period reported on?

The Board of Directors has declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2021, constituting a US cents 1.0 dividend as per the stated dividend policy, and an additional special interim dividend of US cents 0.5, in light of the strong H1 2021 results and the resultant cash flow, even allowing for the repayment of US\$ 2.5 million in Covid-19 related Israel government sponsored bank loans, as noted above.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

As a result of the impact of Covid-19 on the diamond value chain in general and on our results of operation in particular, the Board of Directors of the Company did not declare an interim dividend in H1 2020.

(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.

	<u>Amount before tax US\$'000</u>	<u>Tax rate applicable to shareholders %</u>
2021	5,244	20%/0% ¹ / 10% ^{2,3}
2020	--	Not applicable

¹ The tax rate will be 20% for individual Israeli shareholders and 0% for Israeli corporate shareholders.

² The tax rate for the dividends for individual and corporate Singaporean shareholders is 10%.

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

	<u>Amount US\$'000</u>
3.9.2021	5,244
2020	Not applicable

(e) Record Date

5:00 PM on:

	<u>Amount US\$'000</u>
16.8.2021	5,244
2020	Not applicable

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

Not applicable.

13. 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.

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

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Group for the period ended June 30, 2021, to be false or misleading, in any material aspect.

15. 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.



Daniel Benjamin Glinert
Executive Chairman
4 August 2021