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PRESS RELEASE

Update on Positive Developments in the Diamond Industry

- **Rough diamond sales by major producers total an estimated US\$ 500 million in August**
- **Polishing activity back to 70-80% of levels prior to Covid-19 shutdown**

Hod Hasharon, (Israel), 01 September 2020 – Singapore Exchange Mainboard-listed Sarine Technologies Ltd (“**Sarine**” or “**the Company**” and together with its subsidiaries “**the Group**”) (U77:SI), a worldwide leader in the development, manufacture and sale of precision technology products for the evaluation, planning, processing, finishing, grading and trading of diamonds and gems, wishes to update its investing public on some positive developments in the diamond industry.

Following the cancellation of DeBeers’ rough diamond sales cycle (“sight”) scheduled for late March 2020 and a very weak second quarter in which their rough sales reportedly totaled only some US\$ 56 million (more than 90% less than the corresponding period of 2019), the August sales cycle held last week has been estimated to have been just under US\$ 300 million, very much in line with sales cycle 7 of August 2019 (US\$ 287 million) (see Bloomberg report at <https://www-bloomberg-com.cdn.ampproject.org/c/s/www.bloomberg.com/amp/news/articles/2020-08-30/cheaper-diamonds-fire-life-into-the-hidden-world-of-gem-trading>). However, it should be noted that 2019 was also a weaker than normal year due to rough diamond inventory and pricing issues - the relevant sales cycles in 2017 and 2018 were both just over US\$ 500 million. Similarly, Alrosa has reportedly sold rough diamonds valued at some US\$ 200 million during their August sales cycle. We believe that two factors drove this significant rebound in rough diamond buying by midstream manufacturers – the price reductions offered by the major producers (reportedly discounted 6-8% by DeBeers and in some categories of rough up to 10%) and the growing confidence in the midstream that retail activity will continue to recover as the end-of-year holiday season nears.

Indeed, latest retail data from major retailers, such as Tiffany & Co. and Chow Sang Sang, show a near total rebound in retail activity in the Asia Pacific market, with Tiffany reporting revenues and profits similar to those of 2019 and Chow Sang Sang reporting activity back to 95% of pre- Covid-19 levels. However, it must be noted that retail activity in the key U.S. market, accounting for some



40% of global demand, is still under pressure, as also evidenced by Tiffany's numbers. We again reiterate that the resurgence of U.S. retail activity is key to a full recovery of the diamond industry value chain.

Data available to us from our installed base of Galaxy® family inclusion scanning systems and our ubiquitous online rough planning systems, on which over 70 million stones are processed annually, indeed confirm that manufacturing activity in the midstream has significantly increased. Our data from the second half of August, even before the latest rough sales cycle, show that polishing activity is now at an average 70 – 80% of pre-shutdown record levels reached in January and February of this year. This is in stark contrast to the 20-40% level of activity we saw in the months of June and July, which were still impacted by periodic government-directed limitations and shutdowns.

Having noted the above, we would like to caution that business conditions are still not optimal. As noted, U.S. retail activity has yet to rebound. Consumer demand in countries hit hardest by the Covid-19 pandemic has been supported also by government largesse, which will not be sustainable indefinitely. Though inventories at the midstream level have been significantly reduced due to the near cessation of new polishing activity for over four months, and indeed at wholesale levels there are shortages of specific categories of polished goods, there are still significant inventories in a range of categories (e.g., smaller goods) spread throughout the pipeline from manufacturer to retailer. All these factors, and the overall caution they instill in the pipeline, still impede our business results, significantly so as pertaining to new equipment sales. We are therefore still managing our expenses very cautiously, as reported upon in detail in our half year results summary published on August 6th.

We are, concurrent to the challenging environment, continuing to advance our groundbreaking trade-related ventures. We are continuing to extend cooperation and adoption of our comprehensive provenance traceability solution (the Sarine Diamond Journey™) to additional key producers (as recently reported and with others in various evaluation phases) and retailers (e.g., the Italian chain Forever Unique as advertised in Corriere Della Sera). Our solution is uniquely scalable, due to our extensive installed base of systems in the midstream manufacturing centres. Furthermore, contrary to other offered solutions, which are either partially based on declaratory information or lack any information on the actual manufacturing phases the stone underwent (which Tiffany & Co. emphasised is part and parcel to the transparency they now offer), our Journey provides actual verifiable imagery and data documenting the stone along all its steps from mine to retail.

In parallel, following on our industry-first introduction of AI-enabled automated grading of polished diamonds, we are progressing with our yet again revolutionary e-Grading, which will enable industry players in general, and midstream polishers in particular, to grade their diamonds using objective tamper-proof technology on site. This will preclude the necessity for shipping the polished diamonds offsite to be graded at third-party gem labs, essentially precluding all indirect costs and reducing the timeline for grading from weeks to minutes. It will also enable more accurate sorting based on additional information generated during the grading process by the machine-learning algorithms. This initiative is expected to commence beta-testing with leading Indian manufacturers in Q4.

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 finger-printing 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>.

Contact:

APAC IR

Cyrus Capital Consulting
Mr. Lee Teong Sang
Tel:+65-96339035
teongsang@cyrus.com.sg

North America IR

MS-IR LLC
Ms. Miri Scharia-Segal
Tel: +1-917-607-8654
msegal@ms-ir.com

Sarine Technologies Ltd.

Marketing & Communications
Ms. Romy Gakh-Baram
Tel:+972-9-7903500
romy.gakh-baram@sarine.com