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## PRESS RELEASE

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### No Material Impact from Geopolitical Uncertainties in Q1 2022

- Accelerated adoption of our Sarine Diamond Journey™ traceability solution by key upstream players and luxury brands
- New Sarine AutoScan™ will further facilitate adoption of our traceability
- Trade revenues continue gaining traction to 11.6% of overall revenues in Q1

**Hod Hasharon (Israel), 15 May 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 and services for the evaluation, planning, processing, measurement, grading and trading of diamonds and gems, wishes to update its investing public on business conditions during Q1.

Geopolitical uncertainties stemming from the hostilities in the Ukraine, which commenced in late February, and the renewed outbreak of Covid-19 in China with the resulting lockdowns ordered there, generated uncertainties that had minor negative impact on the Group's business environment in the first quarter of 2022. Sanctions notwithstanding, the flow of rough diamonds into the value chain, including those of Russian origin, continued unabated in the first three months of 2022. Midstream polishing activities were commensurately robust, as evidenced by the utilisation of our inclusion mapping systems, which continued throughout the first three months of 2022 on levels similar to those realised in late 2021, with averages exceeding 100,000 stones daily.

On the backdrop of these overall positive business conditions, the Group realised revenues of US\$15.6 million in the first quarter of 2022, only 9.9% less than our exceptionally strong first quarter of 2021, with a robust gross margin of 71.8%. Trade of rough and polished diamonds related revenues accounted for 11.6% of overall revenues. With all our activities now nearly back to pre-pandemic levels, and our General and Administrative expenditures even above normal due to increased legal and other expenses related to our IP enforcement and litigation in India, our profit from operations was just under US\$ 4.0 million, and, with ongoing beneficial tax rates, our net profit was just under US\$ 3.4 million. Cash and short-term deposits surged to US\$ 41.7 million at quarter's end, with zero borrowings. Receivables decreased modestly from 2021 year's end to US \$22.7 million, with most due receivables having been collected.



We delivered 17 Galaxy<sup>®</sup>-family systems in the first quarter. The breakdown by model was one Galaxy<sup>®</sup> Ultra, five Galaxy<sup>®</sup> models, two Meteors<sup>™</sup> and nine Meteorites<sup>™</sup>, with nine of the latter two categories sold under the one-off business model with no follow-on per-use revenues. As of 31 March 2022, our installed base was 728 Galaxy<sup>®</sup>-family systems. As detailed in our Annual Report, we are striving to enhance the value proposition of our Galaxy<sup>®</sup>/Advisor<sup>®</sup> offerings, with special focus on the vast small-stone segment of the value chain. We have already launched our new Advisor<sup>®</sup> 8 software, with many new optimised features and the best ever productivity, and we are working on ways to improve the cost-effectiveness of our scanning systems specifically for small stones, primarily through the reduction of their operational overhead. To further our support of our midstream customers, we introduced this quarter a first-ever rough diamond documentation and appraisal service, to address the need for a reliable means to finance and insure rough diamonds.

We have progressed with our plans to bolster our offerings for the upstream mining segment of the diamond industry and, to this end, have initiated the beta testing of our new Sarine AutoScan<sup>™</sup>, our innovative robotic system for rapidly acquiring high volumes of geometric scans of rough diamonds. This offering will address the essential prerequisite of scaling up the amount of diamonds that can be registered for traceability in a cost-effective non-disruptive efficient manner at the producer or other large scale sorting and marketing entities. The Sarine AutoScan<sup>™</sup> system will further empower our full traceability solution, and will enable us to provide not only the most comprehensive verifiable solution, but to do so in a truly scalable manner with minimal operational overhead, costs or delay. As well as providing mine-to-retail traceability, the new system will also enable rough producers and traders to implement a mechanism that assures diamonds are not lost or switched during the many stages of the internal processes that rough diamonds go through at their facilities, often remotely located.

Indeed, the first months of 2022 saw an unprecedented surge in the recognition of the unique value proposition embodied in our Sarine Diamond Journey<sup>™</sup> provenance and traceability solution across all industry segments. As announced, we have gained acceptance by significant luxury brands. Initially in January by French High Jewellery Maison Boucheron, a brand owned by the Kering Group, with its launch of a new bridal jewellery line, for which it provides Boucheron-branded diamond reports "powered by Sarine", comprising both traceability and our AI-powered 4Cs grading. This breakthrough was followed in April by the announcement that the Aura Blockchain Consortium, founded by LVMH, the Prada Group, Cartier, a brand owned by Richemont, and the Italian OTB Group, had chosen to partner with Sarine in relation to Sarine's Diamond Journey<sup>™</sup> traceability solution. No less significant, recognition of our Sarine Diamond Journey<sup>™</sup> in the upstream also gained momentum with its adoption by the Bonas Group, which is the industry's largest independent global diamond and gemstone tender and auction house. Bonas sorts and sells rough stones from twelve direct-from-mine productions, representing Blue Rock Diamonds, Braúna, IMDH, KAO, Lucapa Diamond Company, Lucara Diamond, Mountain Province Diamonds and Stornoway Diamonds. Clearly, the events in Europe, and the resultant U.S. and E.U. sanctions, have accelerated the demand for a robust sustainability/responsibility documentation solution.



Our innovative on-site E-Grading™ solution is currently in beta-testing with a number of leading Indian manufacturers, and we are on track for its broad introduction into the market in the second half of 2022. Logistical issues, some of which related to lingering Covid-19 travel restrictions and self-isolation requirements in India, had somewhat delayed our testing plans in 2021. Notwithstanding this delay, the adoption of our AI grading paradigm has broadened, as exemplified by the above-noted luxury brand Maison Boucheron's adoption this January of our 4Cs grading for its new Etoile de Paris jewellery line.

Subsequent to the first quarter's end, stricter sanctions on Russian rough diamonds in general, and Alrosa's production specifically, were enacted in April. These sanctions have reportedly had a more pronounced effect on the flow of Russian production, which accounts for some 35% of the total world output, into the midstream polishing segment, though it is not yet clear to what extent. We have so far not experienced any meaningful decrease in Galaxy®-family scanning activity in April, as compared to the scanning activity in the first quarter. In fact, scanning in April was higher than any of the preceding 12 months, except for March. Scanning data do indicate some reduction in polishing activity at some of our Indian customers since the beginning of May, however this may also stem from the onset of the summer vacation period in India, and has been manifested in reduced work shifts or days of operation (e.g., curtailed Sundays). As of this writing, we have not seen any material impact on our business from the ongoing geopolitical conditions. To a degree, the uncertainties affecting our Indian customers and their ramifications primarily on their demand for small stone Meteorite™ scanners, are being offset by renewed expansion of diamond polishing businesses in the southern African countries. We continue to closely monitor the ongoing situation arising from the conflict in the Ukraine.

### **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>.

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