



## PRESS RELEASE

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# Sequential Quarterly Growth in Q2 2015 Under Challenging Industry Conditions

- *Group revenue and profitability rose substantially on sequential quarterly basis in Q2 2015 despite negative business sentiment and subdued diamond manufacturing activities*
- *Total installed base rose to just over 200 Galaxy™ family systems as of 30 June 2015; recurring revenue accounted for just under half of Group revenue*
- *Broad market interest in Sarine Profile™; deal secured with GSI, major gem lab, and leading U.S. retailers for fall holiday season trial "program" launches*
- *New products on schedule for launch in second half of year*

**Singapore, 9 August 2015** – Singapore Exchange Mainboard-listed Sarine Technologies Ltd ("**Sarine**" or "**the Company**", and 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 gemstones, today announced its financial results for the second quarter and half year ended 30 June 2015.

### Q2 2015 Financial Results Review

Although business conditions remained challenging in Q2 2015, Sarine recorded notable improvement in its performance on a sequential quarterly basis. Compared to Q1 2015, group revenue rose 19% to US\$ 14.4 million on the back of higher recurring income and capital equipment sales across most regions. Besides



improved sales and change in product mix, the cessation of Galatea-related acquisition cost amortisation also contributed to the improvement in gross profit margin from 66% in Q1 2015 to 72% in Q2 2015. Together with the Group's prudent cost management, profit from operations and net profit rose in Q2 2015 318% and 208% over Q1 2015, to US\$ 3.4 million and US\$ 2.7 million, respectively.

Business sentiments remained negative in the diamond industry during the quarter under review. Rough manufacturing activities remained subdued amid ongoing issues such as erosion of manufacturers' margin given high rough diamond prices relative to polished prices, decreasing but still high polished inventories and limited liquidity. Consumer demand for polished diamonds remained mixed, with robust demand from the biggest market, the US, but lower demand from the key growth market - China. Against this background, the Group delivered six Galaxy™ family systems in Q2 2015, notably all Galaxy™ systems, five of which of the advanced Ultra model. Due to significantly lower manufacturing activities, Q2 2015 registered lower sales of capital equipment and lower Galaxy™ processing revenue than Q2 2014. Consequently, Q2 2015 revenue and net profit declined 42% and 69% respectively as compared with Q2 2014.

In H1 2015, the Group recorded revenue of US\$ 26.6 million and net profit of US\$ 3.6 million. As of 30 June 2015, the Group has a total installed base of just over 200 Galaxy™ family systems. Recurring revenues contributed approximately 50% of H1 2015 revenue.

The Board has declared an interim dividend of US cents 1.50 per ordinary share for the half year ended 30 June 2015.



## Prospects

In spite of the recent challenges faced by the diamond industry, there have been significant encouraging developments. After the July sight, which was not well received by manufacturers, DeBeers has indicated a shift to a more flexible paradigm in subsequent sights through March 2016, allowing sight holders to buy rough diamonds after inspecting the offered goods and without being bound to their originally contracted quantities. This seems to indicate that the world's largest producer of rough diamonds is modifying its marketing strategy in the near term in favour of the midstream manufacturers. Additionally, shortages of specific types of polished diamonds have become apparent, following reduced manufacturing since January 2015.

The Group was greatly encouraged by the enthusiastic interest generated by Sarine Profile™ at the JCK Las Vegas trade show in the last week of May 2015. This led the Group to intensify marketing efforts for Sarine Profile™ in order to leverage on the positive market response and growing popularity of digital trade visualisation solutions. The Group has secured strategic deals with leading diamond industry players, such as Gemological Science International, one of the world's largest gem labs, and leading U.S. retailers for new and upgraded "program" launches in the upcoming fall holiday selling season.

"We are pleased to witness actual initial adoption and trial use of our technologies by significant and leading industry players at virtually all points along the polished value chain, including manufacturers, gemological laboratories, wholesale traders and retailers," said Mr. Uzi Levami, Sarine's Chief Executive Officer. "The current implementation of Sarine Profile™ by initial retail users is mostly for limited trial 'programs', involving thousands of stones only. As these programs are launched for the fall holidays selling season, we expect revenue generation from the Sarine Profile™ to accelerate for the rest of 2015 and grow more substantially in 2016. We are also very pleased that our 2013 Sarine Light™ launch customer in Japan, CIMA, has confirmed that the system has become an intrinsic selling tool in virtually all its in-store sales activities over the past two years, has led to its strengthening its



positioning as a leading seller of high-quality polished diamonds and has contributed to a significant increase in its sales volumes", he added.

As for other new products, the initial conceptual marketing in India of Allergo™, Sarine's latest innovation for gemstone processing, was met with enthusiastic response from gemstone manufacturers. The Group plans to begin the commercialisation of this new product in service centres in late 2015. In addition, the new inclusion mapping system for smaller sized rough diamonds of 20-85 points (the Galaxy Meteor™ system) and a new derivative functionality from the Sarine Light™ can be expected in H2 2015.

This press release should be read in conjunction with Sarine's Q2 2015 results announcement released on 9 August 2015 to the Singapore Exchange.

#### **About Sarine Technologies:**

Established in 1988, Sarine Technologies Ltd. is a worldwide leader in the development and manufacturing of advanced evaluation, planning, processing, and finishing systems for diamond and gemstone production. Sarine products include diamond Cut, Color and light performance grading tools, the Galaxy™ family of inclusion mapping systems, rough diamond planning optimisation systems, laser cutting and shaping systems, laser-marking and inscription machines and polished diamond visualisation systems. Sarine systems have become an essential gemology tool in every properly equipped gem lab, diamond appraisal business and manufacturing plant, and are today considered essential items by both diamond dealers and retailers. For more information about Sarine and its products and services, visit <http://www.sarine.com>.



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