Sarine Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)
(Registration Number: 51-133220-7)

Condensed Interim Financial Statements
For the six months ended 30 June 2024

Table of Contents

A. Condensed Consolidated and Company Statements of Financial Position as at:

	Group		Company	
	June 30	December 31	June 30	December 31
	2024	2023	2024	2023
	US$ thousands			
Assets				
Property, plant and equipment	**7,116**	11,637	**1,394**	1,827
Investment property (Real Estate), see Note 10	**3,969**	--	--	--
Right-of-use assets	**5,241**	6,032	**2,569**	3,014
Intangible assets	**7,526**	7,752	**--**	--
Long-term trade receivables	**748**	573	**115**	276
Investment in subsidiaries	**--**	--	**50,179**	43,576
Long-term income tax receivable	**500**	500	**--**	--
Other non-current assets	**151**	--	**--**	--
Deferred tax assets	**646**	568	**--**	--
Total non-current assets	**25,897**	27,062	**54,257**	48,693
Inventories	**8,904**	10,520	**6,274**	7,324
Trade receivables	**14,297**	14,652	**5,050**	5,819
Other current assets	**1,603**	1,383	**875**	699
Short-term investments (bank deposits)	**8,539**	634	**--**	--
Cash and cash equivalents	**18,076**	22,351	**8,124**	7,644
Total current assets	**51,419**	49,540	**20,323**	21,486
Total assets	**77,316**	76,602	**74,580**	70,179
Equity				
Share capital*	**--**	--	**--**	--
Share premium and reserves	**35,394**	35,264	**35,394**	35,264
Translation reserve	**(4,277)**	(4,249)	**(4,277)**	(4,249)
Dormant shares, at cost	**(6,308)**	(5,183)	**(6,308)**	(5,183)
Retained earnings	**35,510**	34,488	**35,610**	34,488
Total equity	**60,319**	60,320	**60,419**	60,320
Liabilities				
Long-term lease liabilities	**4,740**	5,392	**2,466**	2,847
Rent deposit	**47**	**--**	**--**	**--**
Financial instrument	**1,762**	1,727	**--**	--
Employee benefits	**147**	153	**138**	143
Total non-current liabilities	**6,696**	7,272	**2,604**	2,990
Trade payables	**1,713**	1,781	**1,563**	1,848
Other payables	**6,812**	5,655	**9,112**	4,127
Current lease liabilities	**1,206**	1,240	**658**	687
Current tax payable	**262**	46	**--**	--
Warranty provision	**308**	288	**224**	207
Total current liabilities	**10,301**	9,010	**11,557**	6,869
Total liabilities	**16,997**	16,282	**14,161**	9,859
Total equity and liabilities	**77,316**	76,602	**74,580**	70,179

* No par value

B. Condensed Consolidated Interim Statements of Profit or Loss:

	Group Six months ended June 30, 2024	2023	change
	US$ thousands		%
Revenue	**21,871**	**23,731**	**(7.8)**
Cost of Sales	8,044	7,472	7.7
Gross profit	**13,827**	**16,259**	**(15.0)**
Research and development expenses	3,887	4,365	(11.0)
Sales and marketing expenses	5,652	6,587	(14.2)
General and administrative expenses	2,870	3,912	(26.6)
Profit from operations	**1,418**	**1,395**	**1.6**
Net finance income	123	422	(70.9)
Profit before income tax	**1,541**	**1,817**	**(15.2)**
Income tax expense	519	864	(39.9)
Profit for the period	**1,022**	**953**	**7.2**
Other comprehensive income (loss) Foreign currency translation differences from foreign operations	(28)	55	NM
Total comprehensive income for the period	**994**	**1,008**	**(1.4)**
Earnings per share			
Basic earnings per share (US cents)	**0.30**	0.27	
Diluted earnings per share (US cents)	**0.30**	0.27	

C. Condensed Consolidated and Company Statements of Changes in Equity

Group and Company	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
	US$ thousands					
Balance at January 1, 2023	--	34,490	(4,217)	41,652	(4,829)	67,096
Profit for the period ended June 30, 2023	--	--	--	953	--	953
Other comprehensive loss for the period ended June 30, 2023	--	--	55	--	--	55
Dormant shares, acquired at cost (56,900 shares)	--	--	--	--	(17)	(17)
Share-based payment expenses	--	153	--	--	--	153
Capital infusion by minority shareholder in consolidated subsidiary	--	343	--	--	--	343
Exercise of options	--	71	--	--	--	71
Dividend paid	--	--	--	(3,489)	--	(3,489)
Balance at June 30, 2023	--	35,057	(4,162)	39,116	(4,846)	65,165
Balance at January 1, 2024	--	35,264	(4,249)	34,488	(5,183)	60,320
Profit for the period ended June 30, 2024	--	--	--	1,022	--	1,022
Other comprehensive income for the period ended June 30, 2024	--	--	(28)	--	--	(28)
Dormant shares, acquired at cost (4,587,874 shares)	--	--	--	--	(1,125)	(1,125)
Share-based payment expenses	--	126	--	--	--	126
Exercise of options	--	4	--	--	--	4
Balance at June 30, 2024	--	35,394	(4,277)	35,510	(6,308)	60,319

* No par value

D. Condensed Consolidated Statements of Cash Flows

	Group	
	Six months ended June 30,	
	2024	2023
	US$ thousands	
Cash flows from (used in) operating activities		
Profit for the period	1,022	953
Adjustments for:		
Share-based payment expenses	126	153
Income tax expense	519	864
Depreciation of property, plant & equipment and right-of-use assets	1,520	1,309
Depreciation of investment property (Real Estate)	69	--
Amortisation of intangible assets	246	162
Revaluation of lease liabilities from exchange rate differences	(114)	(204)
Financial instrument	35	--
Other net finance income	(97)	(286)
Changes in working capital		
Inventories	1,616	(4,040)
Trade receivables	180	2,688
Other current assets	(220)	247
Trade payables	(68)	(199)
Other liabilities	1,188	(1,104)
Employee benefits	(6)	(10)
Income tax paid	(381)	(970)
Net cash (used in) from operating activities	5,635	(437)
Cash flows from (used in) from investing activities		
Acquisition of property, plant and equipment	(337)	(932)
Acquisition of consolidated subsidiary	--	(5,741)
Rent deposit	47	--
Other non-current assets	(151)	--
Proceeds from realisation of property, plant and equipment	32	6
Short-terms investments, net	(7,905)	7,020
Interest received	349	475
Net cash from (used in) investing activities	(7,965)	828
Cash flows used in financing activities		
Proceeds from exercise of share options	4	71
Purchase of Company's shares by the Company	(1,125)	(17)
Dividends paid	--	(3,489)
Capital infusion by minority shareholder in consolidated subsidiary	--	343
Payment of lease liabilities	(572)	(458)
Interest paid	(164)	(75)
Net cash used in financing activities	(1,857)	(3,625)
Net decrease in cash and cash equivalents	(4,187)	(3,234)
Cash and cash equivalents at beginning of year	22,351	25,307
Effect of exchange rate fluctuations on cash and cash equivalents	(88)	(114)
Cash and cash equivalents at end of period	18,076	21,959

E. Notes to the Condensed Interim Financial Statements as at June 30, 2024

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, 2024 and for the six months ended June 30, 2024, 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, 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements were authorised for issue by the Company's Board of Directors on August 11, 2024.

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.

Changes in accounting policies

The accounting policies applied in these condensed interim financial statements for the six months ended June 30, 2024 are the same as those applied by the Company in audited financial statements for the year ended December 31, 2023.

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.

	Group			
	Six months ended June 30,			
	US$ thousands			
Region	2024	2023	$ change	%
India	11,158	13,060	(1,902)	(14.6)
Africa	3,001	3,969	(968)	(24.4)
Europe	1,743	1,728	15	0.9
USA	2,473	1,349	1,124	83.3
Israel	874	1,014	(140)	(13.8)
Other*	2,622	2,611	11	0.4
Total	21,871	23,731	(1,860)	(7.8)

* Primarily Asia, excluding India

Note 4 - Revenue

	Group	
	Six months ended June 30,	
	US$ thousands	
Composition	2024	2023
Sale of products[1]	16,326	19,019
Maintenance & services[2]	5,545	4,712
Total	21,871	23,731

[1] Includes Galaxy® family recurring revenues associated with customer-owned machines.
[2.] Includes annual maintenance contracts, service centre and gemmological lab revenues.

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 profit and loss and other comprehensive income are:

	Group	
	Six months ended June 30,	
	US$ thousands	
	2024	2023
Current tax expense	515	866
Taxes in respect of previous years	84	8
Deferred tax	(80)	(10)
Total income tax expense	519	864

Note 6 – Share Capital – The Company

	June 30, 2024	December 31, 2023	June 30, 2023
	No. of shares	No. of shares	No. of shares
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	356,836,455	356,812,335	356,812,335
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	(13,655,774)	(9,067,900)	(7,566,600)
Total number of issued shares (excluding dormant shares)	343,180,681	347,744,435	349,245,735

For the six months ended June 30, 2024, 24,120 share options were exercised into ordinary shares. For the six months ended June 30, 2024, the Company purchased 4,587,874 of its ordinary shares at an aggregate cost of US$ 1,125,000. There was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

As at June 30, 2024, the total number of issued shares excluding dormant shares was 343,180,681 (as at December 31, 2023- 347,744,435 and June 30, 2023 – 349,245,735). As at June 30, 2024, the total number of dormant shares was 13,655,774 (as at December 31, 2023- 9,067,900 and June 30, 2023 – 7,566,600). 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, 2024, December 31, 2023 and June 30, 2023 included 13,655,774, 9,067,900 and 7,566,600 dormant shares, respectively.

Note 7 - Share-Based Payments

Details of changes in share options:

	Average exercise price in US$ per share	**Options**
At January 1, 2024	0.42	17,073,711
Granted	0.19	3,355,000
Cancelled	0.80	(3,437,012)
Exercised	0.17	(24,120)
At June 30,2024	0.29	16,967,579

During the six months ended June 30, 2024, the Company granted 3,355,000 options to employees and directors under the Company's 2015 Option Plan, with vesting conditions of one to three and a half years and a contractual life of six years. The options vest subject to service-based conditions and performance-based conditions, relating to share price.

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, 2024: weighted average expected volatility of: 48.10%; weighted average risk-free interest rates (in US dollar terms) of 3.12%; dividend yield of 4.13%. The weighted average fair value of the share options granted during six months ended June 30, 2024 using the model was US$ 0.065 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, 2024 was based on the profit attributable to ordinary shareholders of US$ 1,022,000 (six months ended June 30, 2023 -- US$ 953,000) and a weighted average number of ordinary shares outstanding of 344,017,038 (six months ended June 30, 2023 – 348,966,671, calculated as follows:

	Six months ended June 30,	
	2024	2023
Basic earnings per share (US cents)	0.30	0.27
Issued ordinary shares at beginning of period	347,744,435	348,938,195
Effect of share options exercised	12,590	84,414
Effect of dormant shares purchased	(3,739,987)	(55,938)
Weighted average number of ordinary shares during period	344,017,038	348,966,671

Diluted earnings per share

The calculation of diluted earnings per share for the six months ended June 30, 2024 was based on the profit attributable to ordinary shareholders of US$ 1,022,000 (six months ended June 30, 2023 -- US$ 953,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 344,019,227 (six months ended June 30, 2023 -349,076,747), calculated as follows:

	Six months ended June 30,	
	2024	2023
Diluted earnings per share (US cents)	0.30	0.27
Weighted average number of ordinary shares (basic)	344,017,038	348,966,671
Effect of share options on issue	2,189	110,076
Weighted average number of ordinary shares (diluted) during period	344,019,227	349,076,747

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

	Group		Company	
	June 30,	December 31,	June 30,	December 31,
	2024	2023	2024	2023
	US$ thousands			
Right-of-use assets	5,241	6,032	2,569	3,014
Current lease liabilities	1,206	1,240	658	687
Long-term lease liabilities	4,740	5,392	2,466	2,847
Total lease liabilities	5,946	6,632	3,124	3,534

Note 9 – Leases (cont'd)

Maturity analysis of the Group's and Company's lease liabilities as at June 30, 2024.

	Group	Company
	US$ thousands	
Less than one year	1,206	658
One to five years	3,872	2,466
More than five years	868	--
Total lease liabilities	5,946	3,124

The Group has lease agreements with respect to office facilities mainly in Israel, USA 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.

Note 10 – Investment property (Real Estate)

The Six Months ended June 30, 2024 include a new accounting policy for investment property (real estate). Due to the acquisition of GCAL in 2023 and the subsequent integration procedures, the Company consolidated its offices in North America, and consequently vacated office space. These offices were rented out to a third party during 2024. Due to the change of the use of the offices, the Company reclassified these offices from property, plant and equipment to investment property, as prescribed by IAS 40, Investment Property. The Company elected to present its investment property at the cost basis.

Note 11 – Subsequent Events

On August 11, 2024, the Board of Directors of the Company declared an interim dividend of US cents 0.75 per ordinary share for the half-year ended June 30, 2024. The Company expects to pay an interim dividend of US$ 2.5 million on September 12, 2024, with record date on August 27, 2024.

F. Other Information Required by Listing Rule Appendix 7.2

1. 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. The figures presented were prepared in accordance with International Financial Reporting Standards (IFRS).

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

Not applicable.

3. 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, 2023 have been applied in the preparation for the financial statements for period ended June 30, 2024. As to accounting policy for investment property, see note 10 to the condensed interim financial statements.

4. 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.

As to accounting policy for investment property, see note 2 to the condensed interim financial statements.

5. 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.

	Group		Company	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
Net asset value (US$ thousands)	60,319	60,320	60,319	60,320
Net asset value per ordinary share:				
US cents	17.58	17.35	17.58	17.35
Singapore cents*	23.88	23.57	23.88	23.57

As at June 30, 2024, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2024 of 343,180,681 (not including 13,655,774 dormant ordinary shares at June 30, 2024). At December 31, 2023, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2023 of 347,744,435 (not including 9,067,900 dormant ordinary shares at December 31, 2023).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3585 at June 30, 2024.

6. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business:-
(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
Following the extremely challenging fourth quarter of 2023, the diamond jewellery industry showed signs of improvement going into the initial months of this year. After the lifting of India's voluntary import ban of rough diamonds imposed in late 2023, rough quantities in the pipeline increased, reaching an average of $400M per DeBeers sight in Q1. Together with an overall healthy demand for diamond jewelry in the U.S market during the holiday season, the first two months of 2024 indicated a positive trend. However, continued weak demand from China, the second most important market for diamond jewelry, the ongoing disruptive impact of LGD in the U.S. market and the over-optimistic amount of rough re-entering the pipeline, rapidly lead to increased polished diamond inventories and declining wholesale prices from March onwards. Thus, after a brief respite in the first couple of months of 2024 polished prices resumed their decline across most categories, by an average of 20% for the first half of the year, with an accelerated decline in the last two months. De Beers' Q2 sights contracted significantly, with the July sight reportedly some $200M (to note, De Beers has announced it will no longer announce the value of individual sights, so this estimate is based on industry feedback). Notwithstanding DeBeers reduced sights, it must be noted that the second largest producer worldwide, Russia's Alrosa, continues to sell rough diamonds through varied channels. Due to political issues, Alrosa data is not readily available for analysis. According to their announcements, their revenues from rough sales in 2023 not only did not decline in line with DeBeers' reduced sales, but actually increased year-over-year 2022. Other sources indicate a modest decrease of 12% in carat production in 2023, as compared to 2022 and as compared to nearly double that figure for DeBeers. Thus, DeBeers' currently reduced sights might not necessarily indicate a proportionate reduction of the overall quantities of rough diamonds entering the polishing pipeline.

Wholesale prices in the lab-grown diamond (LGD) segment continued to decline, dropping between 20-50% since January 2024 (depending on size quality), creating significant pressure on lab grown "growers" (i.e., producers) and manufacturers. With the slowing pace of adoption in the U.S. market, and as yet no significant uptake in other markets, LGD supply has outstripped demand. Coupled with fierce competition between producers, sharp wholesale price declines have been manifested, with one carat LGDs selling in quantity for under US$ 100! Growing competition between retailers has also driven retail prices down with lower-quality one carat stones often selling for under US$ 500 and similar two carat stones available from online sources and lower-end department stores for under US$ 1,000. Average U.S. in-store prices for two carat stones were, on average, US$ 1,550 at year's end 2023, down some 40% from a year earlier. LGD profit margins are still higher than those for natural diamonds, however, the absolute revenues and profits realised have shrunk by half over the course of less than two years. As the retailers' fixed costs (rent, payroll, etc.) have not contracted by half, and as the number of jewellery items bought (e.g., couples getting married) has not doubled, the retailers' conundrum is whether to focus on LGD with higher margins but significantly lower absolute revenues and profits, or revert their focus back to natural diamond sales with higher turnover in order to remain viable, even if still continuing to offer LGD.

Sarine has made substantial progress in executing its new strategic initiatives, as announced at year's start. The introduction of our Most Valuable Plan™ (MVP) for optimising the planning of small natural rough diamonds, the adaptation of our rough planning technologies to LGD, the opening of a GCAL by Sarine lab in India, mostly geared to service the significant Indian LGD industry, and the launch of the AutoScan™ Plus and Sarine Diamond Journey™ solutions to address ESG concerns and G7 sanctions on Russian diamonds, have expanded our product portfolio, attracted new customers, and are generating new recurring revenue streams. Coupled with aggressive business streamlining and cost cutting, we have enhanced our profitability and our strategic position for value growth, when market conditions improve. While near-term challenges in the rough diamond market persist, our strategic steps are aimed at fostering long-term growth and a stronger market position for Sarine, as we bolster our offerings for the natural stone and LGD markets alike. We generated just under 13% of our revenues in the first half of the year from LGD-related services and are confident that we are on track to realise our aim of generating 15-20% of our revenues for the year from this segment of the industry.

The Group reported revenues of US$ 21.9 million in H1 2024, profit from operations of US$ 1.4 million, and a net profit of US$ 1.0 million, as compared to revenues of US$ 23.7 million, profit from operations of US$ 1.4 million and a net profit of US$ 1.0 million in H1 2023. Overall recurring revenues for H1 2024 (including Galaxy® inclusion scanning, MVP optimal planning, LGD rough planning, grading and other polished diamond related services, annual maintenance contracts, etc.) increased by approximately 11% over H1 2023 and were over 70% of our overall revenue (over 60% for H1 2023). Overall rough and polished diamond wholesale and retail related ("Trade") revenues, mostly from digital tenders, the Sarine Profile™, the Sarine Diamond Journey™, our GCAL lab grading and other technologies applied to the flow and trade of rough and polished diamonds, increased by approximately 44% in H1 2024, as compared to H1 2023, and contributed some 26% of our overall revenue for H1 2024 (17% in H1 2023).

The stability in profitability in H1 2024 despite lower sales and lower gross profit margin, was mainly due to product mix and cost reduction actions initiated by the Group.

Balance Sheet and Cash Flow Highlights

As at June 30, 2024, cash, cash equivalents, short-term investments (bank deposits) ("Cash Balances") increased to US$ 26.6 million as compared to US$ 23.0 million as of December 31, 2023. The increase in Cash Balances was primarily due to a decrease in inventory to $8.9 million (US$ 10.5 million as at December 31, 2023), and increased other payables, to US$ 6.8 million as at June 30, 2024 (US$5.7 million as at December 31, 2023) and the Group's H1 2024 net profit of US$ 1.0 million, offset by a US$ 1.1 million buyback of Company's shares.

Revenues

Revenues for H1 2024 of US$ 21.9 million, decreased by 8%, as compared to revenues of US$ 23.7 million reported in H1 2023. The decrease in revenues, across most geographies, was due to an approximate 37% decline in capital equipment sales offset by an approximate 11% increase in recurring revenues. The decline in capital equipment sales resulted from impaired business conditions in the entire diamond jewellery value chain. The increase in recurring revenues was mainly due to introduction of our LGD rough planning solution and increased trade related revenues, mainly from the GCAL acquisition.

Cost of sales and gross profit

Cost of sales for H1 2024 of US$ 8.0 million, increased by 8% (on a decrease in revenues of 8%), as compared to US$ 7.5 million in H1 2023, with a gross profit margin of 63% in H1 2024 compared to 69% in H1 2023. The decrease in gross profit and the corresponding decrease in gross profit margin were primarily due to decreased overall sales, and product mix (primarily GCAL's higher cost of goods sold).

Research and development expenses

Research and development expenses for H1 2024 of US$ 3.9 million decreased by 11% as compared to US$ 4.4 million in H1 2023. The decrease in research and development expenses, as planned, was primarily due to streamlining actions initiated by the Group.

Sales and marketing expenses

Sales and marketing expenses for H1 2024 of $5.7 million decreased by 14% as compared to US$ 6.6 million in H1 2023. The decrease in sales and marketing expenses was due primarily to cost saving actions initiated by the Group.

General and administrative expenses

General and administrative expenses for H1 2024 of US$ 2.9 million, decreased by 27%, as compared to US$ 3.9 million in H1 2023. The decrease in general and administrative expenses was primarily due to management initiatives, mainly aimed at the reduction of IP related legal costs.

Profit from operations

The Group reported stable profit from operations of US$ 1.4 million in H1 2024 and H1 2023. The decrease in gross profit was offset by cost reductions.

Net finance income

Net finance income for H1 2024 was US$ 0.1 million, as compared to US$ 0.4 million in H1 2023. The decrease in net finance income was due to lower interest income during H1 2024, as compared to H1 2023, as a result of reduced cash balances throughout the period and increased IFRS related finance expenses due to the GCAL acquisition.

Income tax expense

The Group recorded an income tax expense of US$ 0.5 million for H1 2024, as compared to an income tax expense of US$ 0.9 million in H1 2023. The decrease in income tax expense was primarily due to combined tax reporting initiatives taken by the Group and 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 reported a virtually identical net profit of US$ 1.0 million in H1 2024 and H1 2023 (rounding notwithstanding), as streamlining and tax reduction actions offset the lower profit from operations, all as detailed above.

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

Not applicable.

8. 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 (also refer to section 6 above's Overview commentary):

a. Israel has been involved in an ongoing war with the Hamas terrorist group in the Gaza strip, following its brutal 7 October 2023 attack on Israel. Other hostilities have since commenced with the Hezbollah terrorists in Lebanon and other Iranian led terrorist groups. To date, the effect on the Group's activities has been minimal and has primarily been the calling up of certain of its employees for reserve duty.

b. Demand for natural diamonds is anticipated to remain subdued in the near term due to elevated midstream inventory levels combined with weak demand from China and the ongoing impact of LGD on natural diamond sales. A gradual market recovery and renewed retailer stocking is projected as inventories draw down, driven by demand in key markets such as the U.S. and India. Demand is expected to be bolstered by innovative natural diamond marketing campaigns by industry leaders, increased post-Covid consumer engagements and overall evolving industry developments, as elaborated on in section 6 Overview above. In the short term, due to current inventory levels, we expect to see lower quantities of natural rough diamonds entering the pipeline. In April DeBeers cut its yearly production forecast by 3 million carats (~10%) and in July reduced it further by an additional 3 million carats. However, to note, similar data referring to Alrosa's production are not available.

c. The LGD market also faces challenges, marked by rapidly and sharply declining wholesale and retail prices and substantial inventory accumulation in India. The decline in retail prices for lab-grown diamonds serves to further accentuate the fundamental differences between LGD and natural diamond jewellery, slowing the rapid adoption of LGD witnessed in 2022-2023. As the absolute revenues generated by LGD sales, even if at higher margins, decline, the retailers' economic viability of selling LGD diminishes (see section 6 Overview). There are definite indications of a renewed focus on natural diamonds among many U.S. retailers. We maintain our belief that an equilibrium will be achieved in the near term, with natural diamonds retaining a significant market share, primarily in the bridal jewellery segment, and LGD commanding a more dominant position in fashion jewellery (earrings, tennis bracelets, pendants, etc.).

d. In February we launched our Most Valuable Plan™ (MVP) paradigm for the optimal planning of smaller rough natural diamonds, a segment in which our installed base of Meteor™ and Meteorite™ Plus systems scanned some 33 million stones in 2023. The MVP adoption rate continues as per our expectations, presently addressing our existing customer base and creating significant added value. The business model is based on added yield and value realised from the rough material, and is charged for on a per-stone fee, driving recurring revenues. We believe that concurrent with eventual improving market conditions, MVP may also drive additional Meteor™ and Meteorite™ Plus scanning systems as well as planning system sales and expand our TAM to additional new customers currently using other technologies. To support the introduction of the MVP technology, we have indeed released the Meteor™ Plus inclusion scanning system, which implements all the advantages (mainly higher productivity) of the Meteorite™ Plus into the Meteor™ system.

e. Our LGD rough planning services based on the application of our industry-leading planning technologies to LGD, were also introduced in H1 2024. We have to date experienced very rapid adoption, exceeding our initial expectations. The business model is based on a per-carat charge for the service, akin to the Galaxy® pay-per-carat service fee. We expect to see additional expansion of this service's adoption in H2 2024, expanding our customer base to new customers and generating a new stream of recurring revenues.

f. With the launch of our LGD focused GCAL by Sarine grading lab in Surat, India, in H1 2024, we expect to substantially expand our LGD grading business. The lab in India empowers increased capacity to grade LGD near their Indian source, providing customers with a more cost-effective grading solution while still implementing GCAL's recognised unsurpassed levels of quality control. We have already generated new business from new U.S. retail customers wishing to take avail of the intrinsic benefits of our new service offering. We expect to further expand this business in H2 2024 and beyond.

g. Environmental, social and governance (ESG) issues continue to concern retailers, especially high-end luxury brands. The AutoScan™ Plus and Sarine Diamond Journey™ combined solution provides a cost-effective means to address these matters and should continue to gain traction. The U.S. and other G7 partners are still committed to tighter sanctions on Russian-sourced diamonds, though their initial target date of traceability verification commencing September 2024 has been postponed to March 2025. If the enforcement of these sanctions will indeed be premised on a digitally verifiable source traceability and authentication system, AutoScan™ Plus and our collaboration with DeBeers' Tracr™ platform, along with our Sarine Diamond Journey™, provide a scalable cost-effective means to meet the mandated requirements with minimal overhead or disruption to the diamond value chain.

9. 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 0.75 per ordinary share for the half-year ended June 30, 2024, more than the stated dividend policy of 80% of net profit of the Group, as the Board decided to return a more-sizable portion of the Group's retained cash to shareholders.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

On August 13, 2023, the Board of Directors declared an interim dividend of US cents 0.25 per ordinary share for the half-year ended June 30, 2023, just over the stated dividend policy of 80% of net profit of the Group.

(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.

	Amount before tax	Tax rate applicable to shareholders
	US$ thousands	Percent
2024	2,540	20%/0%[1] / 10%[2,3]
2023	873	20%/0%[1] / 10%[2,3]

[1] The tax rate will be 20% (20% in 2023) 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% (10% in 2023).
[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

	Amount US$ thousands
12 September, 2024	2,540
14 September, 2023	873

(e) Record Date

5:00 PM on:

	Amount US$ thousands
27 August, 2024	2,540
28 August, 2023	873

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

Not applicable.

11. 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.

12. 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, 2024, to be false or misleading, in any material aspect.

13. 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.

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman of the Board

12 August 2024

Issuer & Securities

Issuer/ Manager

SARINE TECHNOLOGIES LTD.

Security

SARINE TECHNOLOGIES LTD - IL0010927254 - U77

Announcement Details

Announcement Title

Mandatory Cash Dividend/ Distribution

REPL::CASH DIVIDEND/ DISTRIBUTION::MANDATORY

13-Aug-2024 17:04:26

Status

Replacement

Corporate Action Reference

SG240812DVCAWK23

Submitted By (Co./ Ind. Name)

Amir J. Zolty

Designation

Company Secretary

Dividend/ Distribution Number

Not Applicable

Dividend/ Distribution Type

Interim

Financial Year End

31/12/2024

Declared Dividend/ Distribution Rate (Per Share/ Unit)

USD 0.0075

Event Narrative

Narrative Type	Narrative Text
Additional Text	1. Please see attached an explanation with regard to the submission of an application for a reduced tax rate/exemption for dividend payments. 2, The dividend payment shall be made in SGD (and once the dividend amount is converted into SGD we will issue an update to this announcement). 3. Please note that pay date is 12 September 2024.

Event Dates

Record Date
27/08/2024

Ex Date
26/08/2024

Dividend Details

Payment Type
Payment Rate in Gross

Taxable
Yes

Tax Rate (%)
20

Gross Rate (Per Share)
USD 0.0075

Net Rate (Per Share)
USD 0.006

Pay Date
12/09/2024

Gross Rate Status

Actual Rate

Country of Income

Israel

Attachments

Announcement_re_Dividend_Taxation_11_August_2024.pdf

Total size =212K MB

Related Announcements

Related Announcements

13/08/2024 14:29:23
12/08/2024 23:07:21

Applicable for REITs/ Business Trusts/ Stapled Securities