

# *Sarine Technologies Ltd.*

## *Corporate Presentation*

*August 2017*



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# Diamond Industry Value Chain

Our products increase profits at all stages of the diamond trade from purchase of rough stones to sale of polished diamonds

## Value of Market in US\$ in 2016



# Sarine Technologies

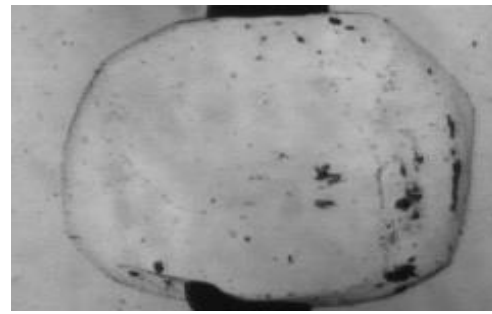
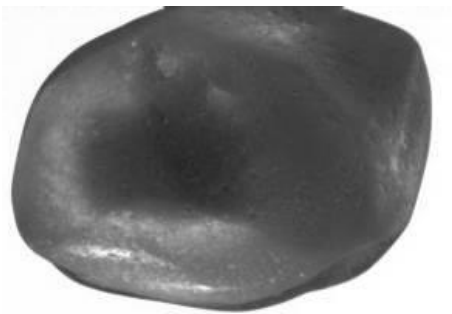
Sarine Technologies, through its application of patented and proprietary solutions, involving precision mechanics, electronics, optics and laser platforms and sophisticated software is a global leader in the development of systems used throughout the entire diamond value chain, from rough diamonds evaluation, planning and polishing to polished diamonds assessment, grading and trade



# Traditional Diamond Planning

- ◆ Based on worker skill and experience. Long training process. Inconsistent results from different planners
- ◆ Needs windows to be opened in rough stone
- ◆ Typically limited to simple solutions; single sawing plane with two polished stones
- ◆ Significant transfer error between planning and execution

## Traditional Diamond Planning



# Planning Revolution

1995

- ◆ In 1995 Sarine introduces first computerised planning for diamonds
- ◆ Advanced algorithms to model and plan the optimised polished diamond
- ◆ Based on patented technologies for scanning and marking of diamonds

Advisor 1.0 Lens 2 1.925 ct.

Stone Planes Planning Polish Reports Tools Help

Map Plan Mark

Part A 0.442ct. (0.924ct.) 47.8%

L:W	W:5.19	L:4.92
Height	59.3%	3.08mm
Table	64.0%	3.32mm
Crown°	34.9°	
Crown H	12.0%	0.62mm
Girdle	M: 5.0%	0.26mm
Pavil.°	41.5°	
Pavil.H	42.3%	2.20mm
L / W	0.95	
Tilt	0°	

Rough & Saw

Rough	1.925ct.
Saw Width	50mic.
Loss (Saw)	1.3%
Saw Tilt	39.1°

Part B 0.322ct. (0.876ct.) 36.8%

L:W	W:3.89	L:3.89
Height	59.9%	2.33mm
Table	53.0%	2.06mm
Crown°	36.0°	
Crown H	11.7%	0.45mm
Girdle	M: 4.2%	0.16mm
Pavil.°	31.9°	
Pavil.H	44.0%	1.71mm
L / W	1.00	
Tilt	11°	

Results

0.442ct	0.924ct
Saw 1	Fancy Heart1
F	VVS2 Evaluator0
0.322ct	0.876ct
Saw 1	Fancy Princess1
F	VVS2 Evaluator0





# Advanced Diamond Planning

2005

- ◆ Advances in computerised planning enables significantly better utilisation of the diamond raw material
- ◆ Multiple polished diamonds from a single rough diamond
- ◆ Initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)

Advisor 5.3 Professional Lens 1 14 2.790 ct.\*\*\*

2 STONES

Map Inclusions Plan Fine Tune Mark

L/W	W: 4.22	L: 5.64
Height	61.5%	2.60mm
Table	60.0%	2.53mm
Crown*	32.00°	
Crown H	12.5%	0.53mm
Girdle	M: 4.0%	0.17mm
Pavil.*	42.00°	
Pavil. H	46.0%	1.90mm
L / W	1.34	
Tilt	4°	
Star/Half	%	%
Culet	0.00mm	0.0%
Rough	L: 7.35 W: 6.15 H: 3.71	
	L: 7.32 W: 6.12 H: 4.01	

Planning Type Fast

Rough	2.790ct. (2.790ct.)
Angle	71.0° Re-Align 0%
Price	\$

Part Name	Grading
Polish	Rough Yield (%)
1	User 1
0.361	1.063 33.96
3	AGSL 0
0.114	0.493 23.12
2	AGSL 0
0.535	1.186 45.10

0.361ct. (1.063ct.) 33.96%

1.186

0.493

1.063

Current Part Weight: 1.063ct.

Inc Color: Polish

Part Planning Fast

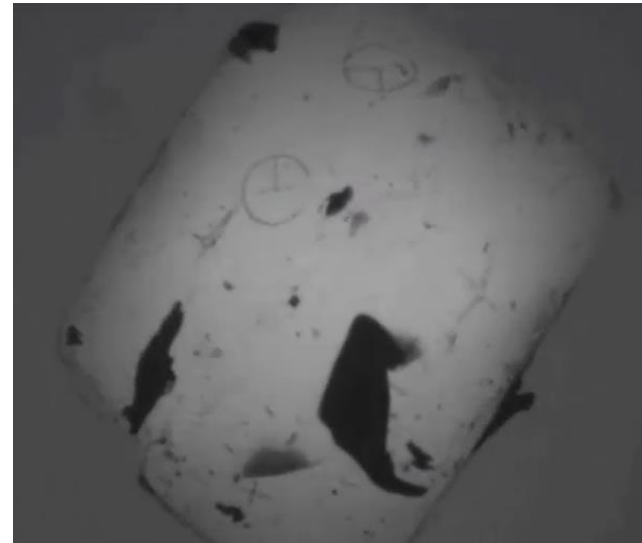
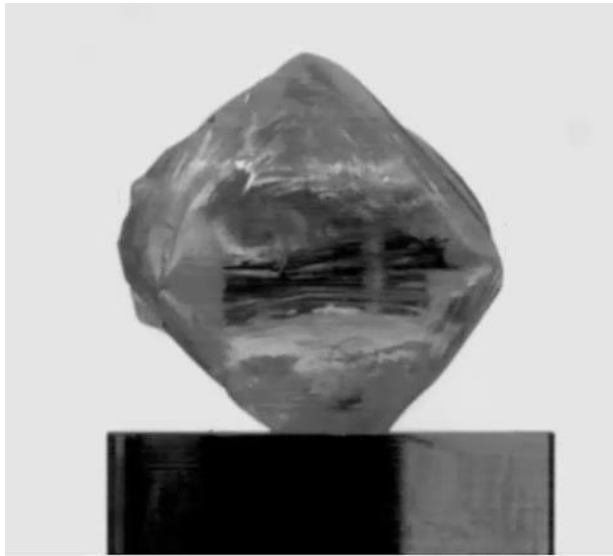
- User 1
- Symm
- 180 deg
- AGSL 0
- Symm
- 180 deg

Planes Results

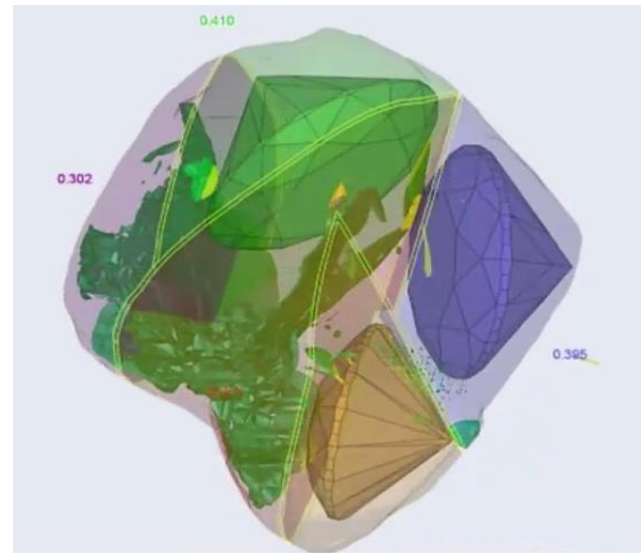
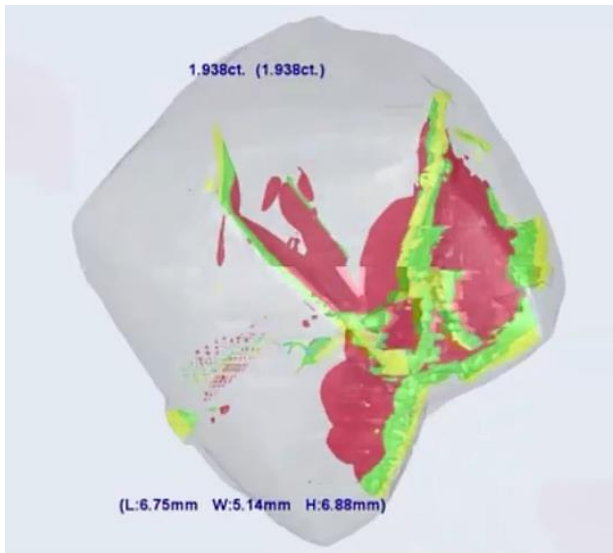
- 0.535ct 1.186ct ✓
- Saw5-2 AGSL 0
- D IF Basic
- 0.310ct 1.063ct
- Saw5-1 AGSL 0
- D IF Basic
- 0.114ct 0.493ct ✓
- Saw5-2 AGSL 0
- D IF Basic
- 0.310ct 1.063ct
- Saw5-1 AGSL 0
- D IF Basic
- 0.361ct 1.063ct ✓
- Saw5-1 User 1
- D IF Basic



# Planning Using Galaxy™



2010

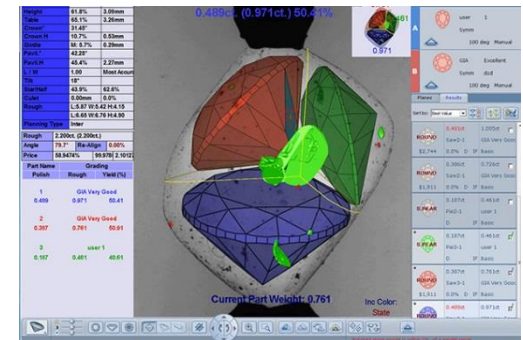




# Rough Planning (Advisor™) Using Galaxy™

- ◆ Advisor™ rough planning software is the most widely used rough planning software - over 20,000 Advisor™ installations. Combined with Galaxy inclusion scanning it enables considering inclusions for full and true value based planning.
- ◆ Optimises value on virtually all rough stones from super fast analysis of single-point sizes to high accuracy multi-stone planning of large complicated diamonds up to 200 carats, based on 4Cs with market driven real-time trend data
- ◆ Integration with inclusion mapping creates effective penetration barrier; also integrated with our best-in-class Quazer's™ laser cutting system allowing even higher value – optimal use of rough stone weight pushed from 40% to over 50%

## Multiple Diamonds Planning



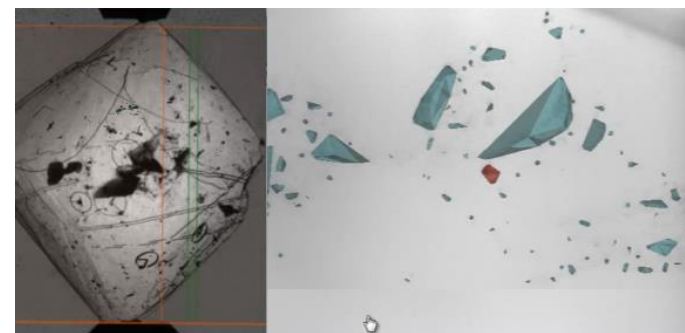
## Atom System (>1000 stones per day)



# Galaxy™ Family

- ◆ Rollout in 2010 with Galaxy 1000
- ◆ PPC model - recurring revenue
- ◆ Additional Galaxy systems launched:
  - ◆ Galaxy XL - for extra large diamonds
  - ◆ Solaris - specialised for smaller diamonds below 2.5 carats
  - ◆ Ultra – higher clarities (VVS)
  - ◆ Meteor – very small diamonds (0.2 -0.9 carats)
- ◆ Total installed base of 332 systems as of 30 June 2017
- ◆ No legitimate competition for Group's automated inclusion mapping systems in the market

**///GALAXY**  
1000



**///GALAXY**  
ULTRA



# Trade & Retail Segment

- ◆ What are the challenges?
  - ◆ Trading challenges B2B – current grading criteria, particularly Clarity, not definitive; visual inspection necessary
  - ◆ Diamond branding – special cuts, modified cuts and other methods of creating a unique retail story
  - ◆ Digital experience for today's informed consumer
  - ◆ Consumer transparency – 4C's define rarity; consumers want additional information presented in intuitive and exciting formats



# Trading Challenges



All GIA Graded I1 Diamonds



- ◆ A unique imaging and inspection system that captures a polished diamond, including its internal features, in simulated 3D
- ◆ Enables buyers to view the polished stone from a multitude of angles and at varying magnifications without having it in hand; simplifies the buying process of polished diamonds while reducing costs and time involved for both buyers and sellers wholesale; enhances the online and in-store polished diamond buying experience while creating virtual inventories for retail chains
- ◆ Sarine Loupe™ imaging services opened in India, Israel and New York.
- ◆ Integrated into Sarine Profile™ with optional levels of imaging and magnifications

## Sarine Loupe™ Imagery of Included Stone





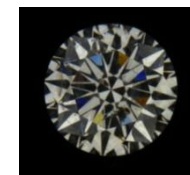
- ◆ With increasing demand for quality and branded diamonds, light performance parameters - brilliance, fire, scintillation/sparkle and symmetry, are becoming key consumer-oriented criteria
- ◆ Sarine Light™ light performance grading report launched in 2013 in Japan with CIMA, a leading bridal diamond jewellery chain; CIMA has confirmed Sarine Light™ has enhanced its positioning as high-end retailer and contributed to higher sales
- ◆ Subsequently, adopted by leading Belgian and Indian diamond manufacturers for quality assurance and sorting and by growing number of retail customers in the US and APAC
- ◆ Integration of Sarine Light™, Sarine Loupe™ and displays of a polished diamond's Cut and Hearts & Arrows has created consumer-oriented “diamond story” – the Sarine Profile™
- ◆ Development of new derivative functionality from Sarine Light™, polished diamond “fingerprinting” - completed proof-of-concept

## Perfect Stone

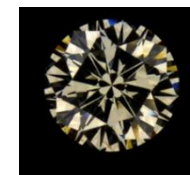
High Clarity, Colour and Cut grades



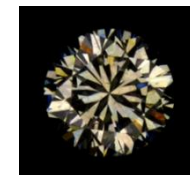
*Low Clarity*



*Low Colour*



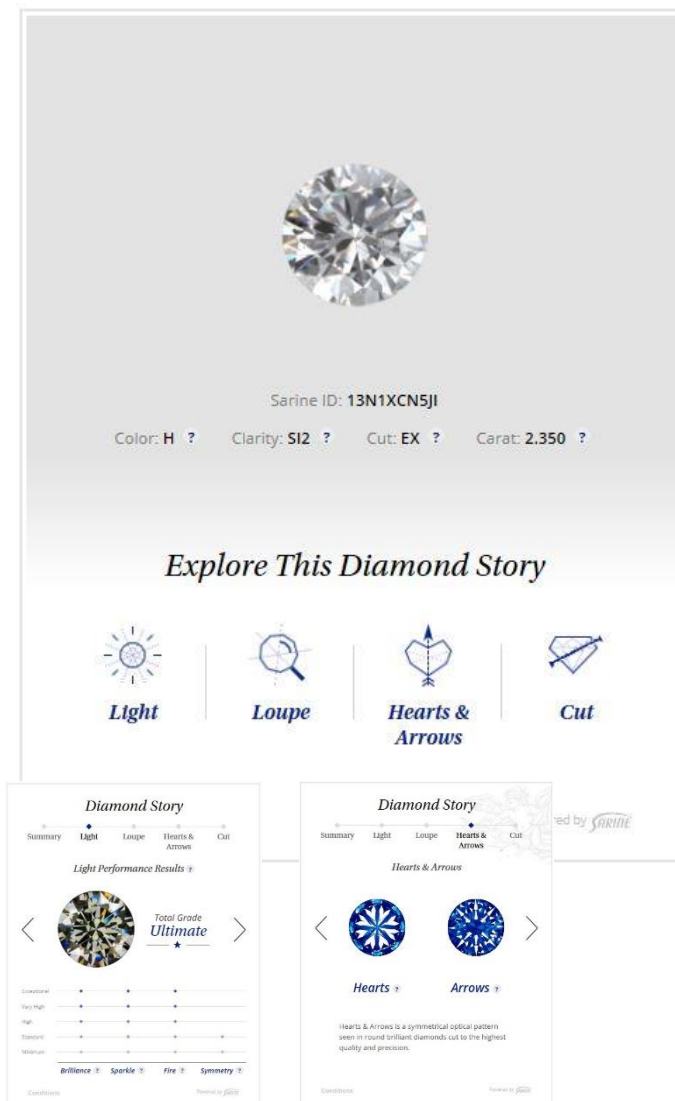
*Low Cut*





# Sarine Profile™

- ◆ Imaging technologies are gaining traction as an essential marketing tool for polished diamonds
- ◆ Instead of a dry tabular non-intuitive report, Sarine Profile™ utilises all the benefits of Sarine's diverse cutting-edge technologies to "show and tell" the stone with graphic and video displays
- ◆ Product launched 2015
- ◆ Adopted by leading diamond retailers - Japan's Cima (Exelco and Ginza Shiraishi), Grace Fujimi (Garden), Mariage, and Verite (Maharaja), Sadamatsu (Festaria) and K-Uno, China's Shining House, Hope, Kela and Meidie, Singapore's Soo Kee (Love & Co and SK Jewellery), Australia's Leading Edge Group, Thailand's Aurora, Korea's Golden Dew and US national and regional chains, including third largest wholesale distributor – GN Diamonds



Sarine ID: 13N1XCN5JI

Color: H ? Clarity: SI2 ? Cut: EX ? Carat: 2.350 ?

*Explore This Diamond Story*

Light Loupe Hearts & Arrows Cut

**Diamond Story**

Summary Light Loupe Hearts & Arrows Cut

Light Performance Results

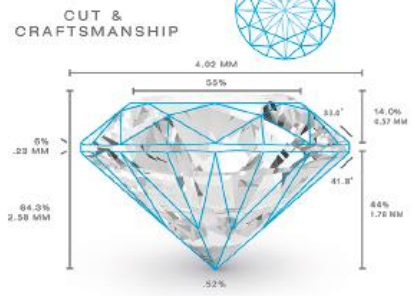
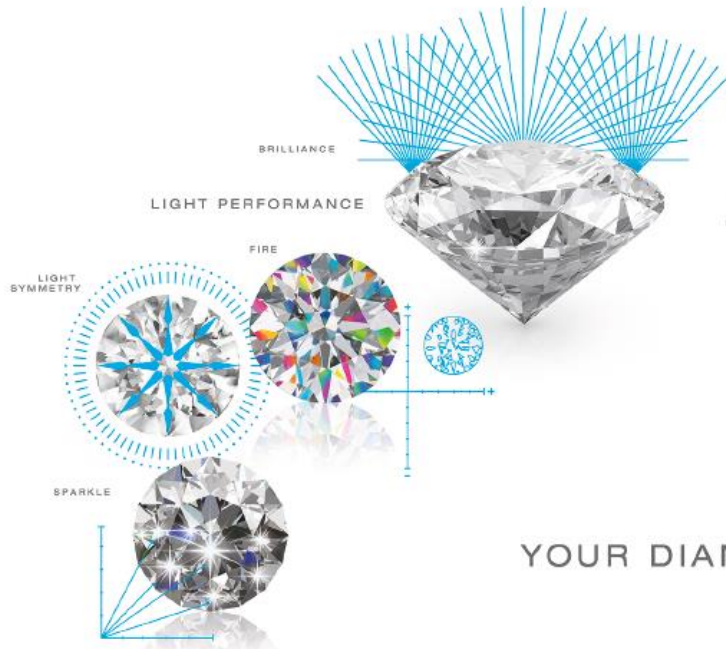
Total Grade Ultimate

Hearts & Arrows

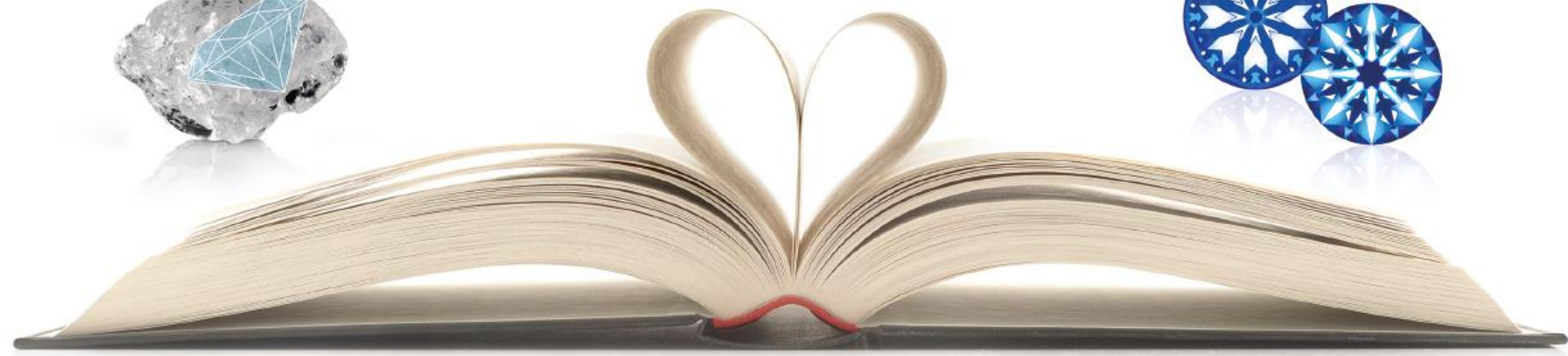
Hearts Arrows

Hearts & Arrows is a symmetrical optical pattern seen in round brilliant diamonds cut to the highest quality and precision.

# Sarine Profile™



## YOUR DIAMOND STORY

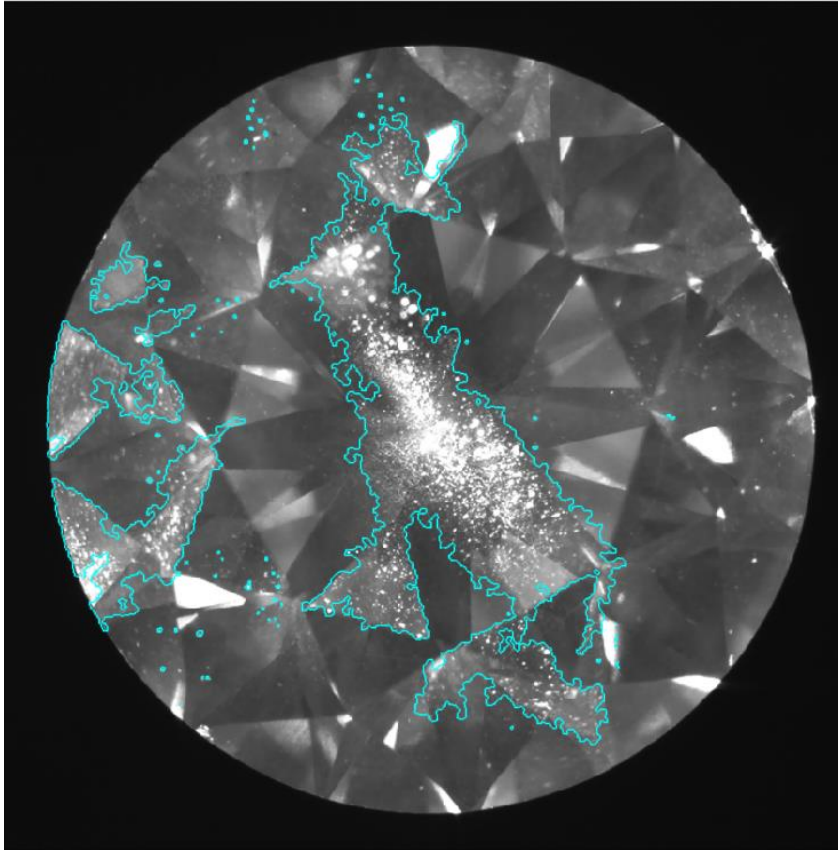


# New Clarity and Colour Technology

- ◆ Groundbreaking Clarity technology to provide automated, objective and consistent Clarity measurement and grading – a first for the diamond industry
- ◆ This breakthrough technology already with only 3% error rate (to be improved to <1%), compared to manual process' 7% error rate and 10% contest rate, will significantly simplify, expedite and refine the Clarity grading process, and hence polished diamond sorting and sourcing
- ◆ New advanced computerised Colour evaluation technology to provide automated, objective and precise Colour grading – already 1% accuracy compared to manual process' 7% and worse.
- ◆ The combination of these two new technologies will enable polished diamonds grading at a revolutionary new level of accuracy and enhance eroding consumer confidence.
- ◆ Business model for Clarity and Colour grading capabilities will be industry-standard per-carat charge and should expand the Group's recurring income and improve margins
- ◆ Commercialisation of these new technologies to begin in Q3 2017, with formal launch scheduled for mid- September



# New Clarity and Colour Technology



Example - stone with invisible cloud of micron-sized inclusions

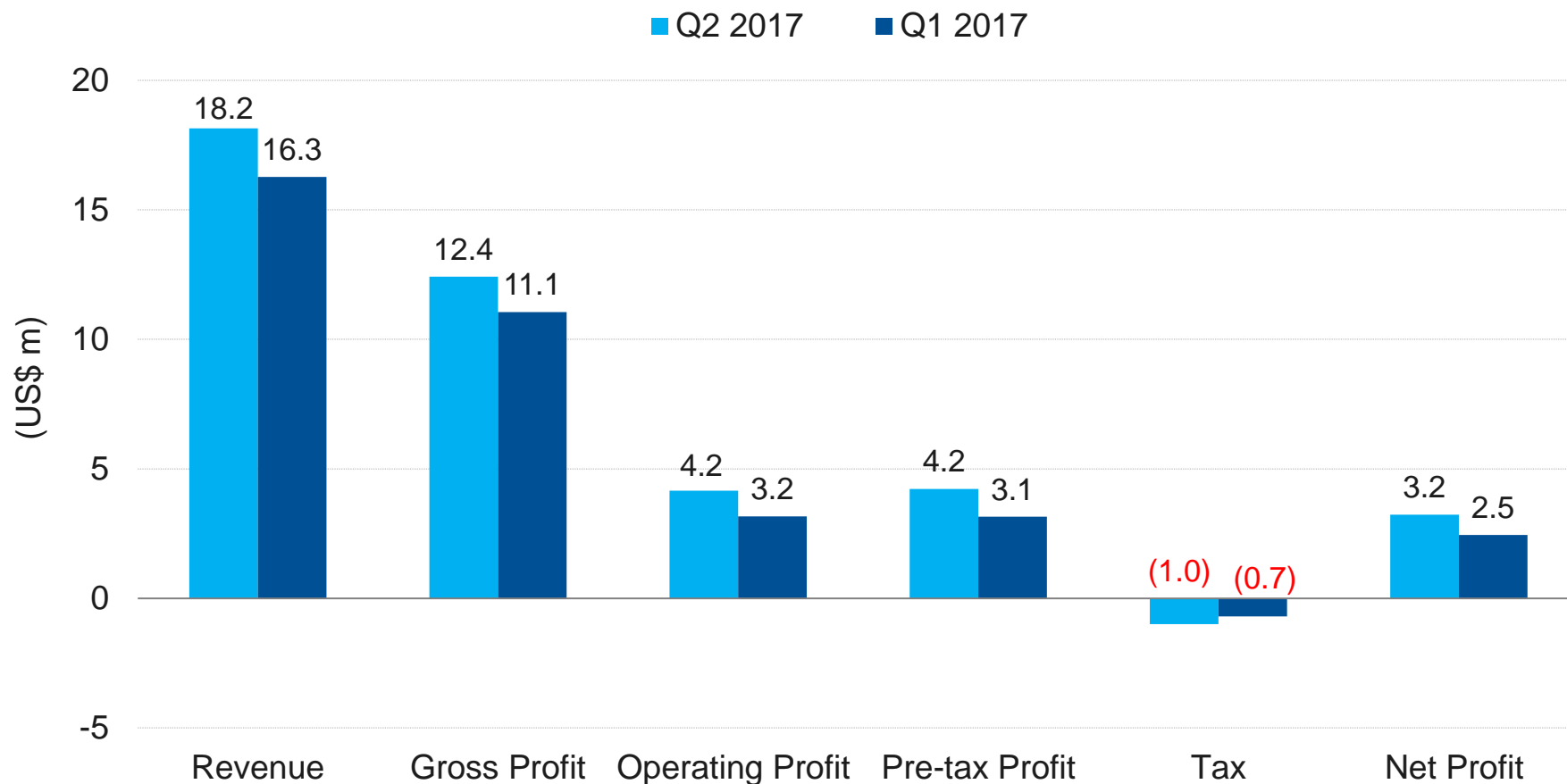




# Results Update



# Q2 2017 Sequential Results Summary



% change	+ 12%	+ 12%	+ 31%	+ 34%	+ 43%	+ 32%
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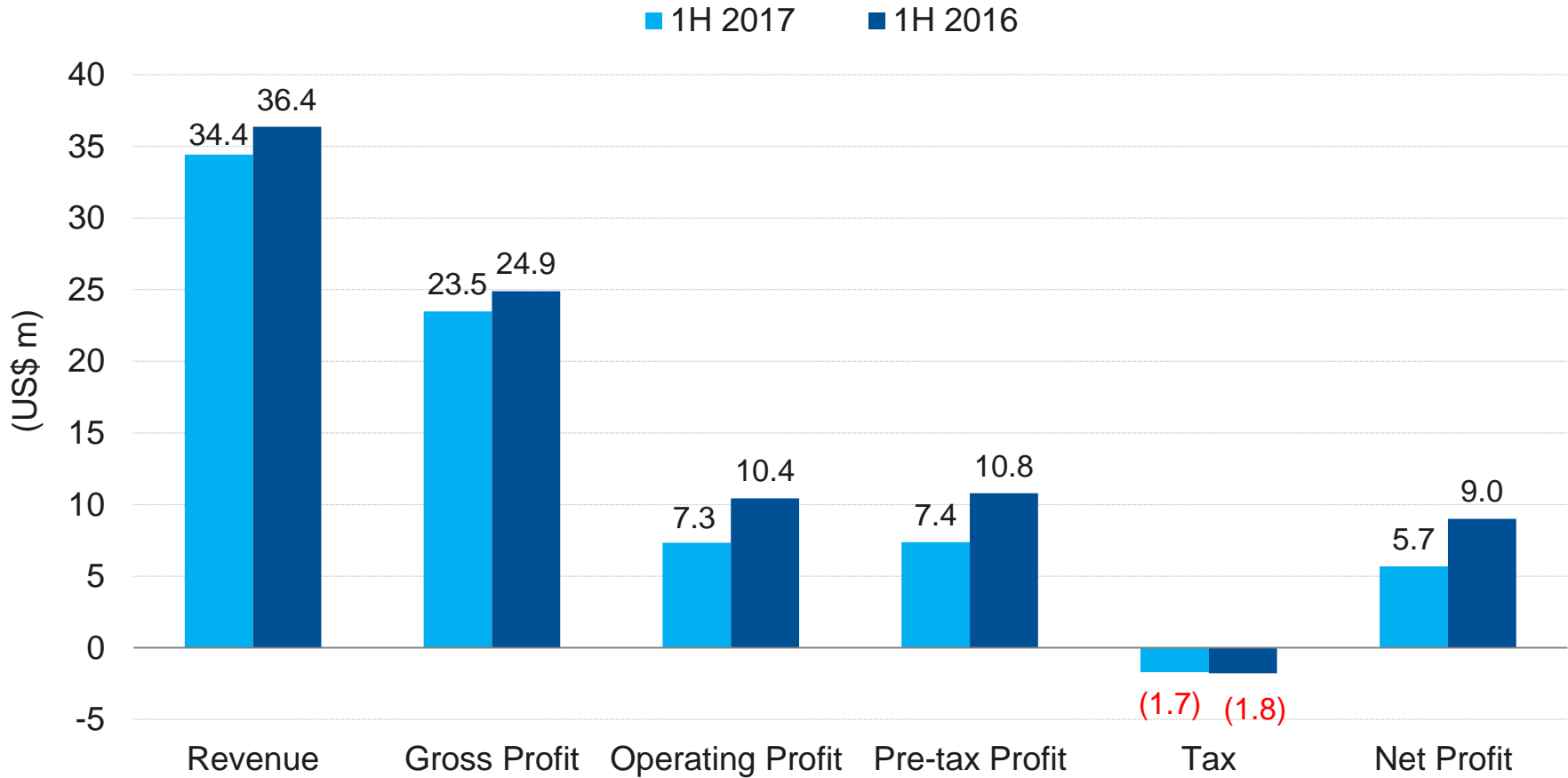


## Q2 2017 Results Highlights

- ◆ On a sequential quarterly basis, group revenue and net profit rose 12% and 32% to US\$18.2m and \$3.2m respectively due to higher mix of Galaxy™ models and increased recurring income
- ◆ Deliveries of 16 Galaxy™ family systems in Q2 2017 expanded total installed base to 332 as of 30 June 2017, with overall recurring revenue base accounting for about 41% of group revenue in H1 2017
- ◆ On a year-on-year basis, both Q2 2017 and H1 2017 results were lower with weaker equipment sales in India and higher operating expenses, in part due to the weaker US dollar
  - Sales of the Meteor™ machines were affected by illicit activities of an illegal Indian competitor, against which the Group has been taking aggressive legal and other actions
- ◆ Retailers' sales programs utilising Sarine Profile™ continue to expand in the Asia Pacific region and North America



# 1H 2017 Results Summary



% change	(5%)	(6%)	(30%)	(32%)	(5%)	(37%)
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# Prospects

- ◆ Positive macroeconomics should continue to underpin healthy consumer demand
- ◆ Industry activity back to normal after tumultuous 2014, 2015 and beginning of 2016; caution amid uncertain pricing and inventory trends
- ◆ Advisor™ 7.0's breakthrough features, especially for light performance optimization and branded and modified stones enhancements, widen gap with illicit competition and incentivise brand loyalty on top of aggressive industry-wide legal steps
- ◆ Backed by accelerating interest for Sarine Profile™ in APAC, as well as from large regional and national chains and high-end independents in US, the Group expects revenue from sales programs utilising Sarine Profile™ in H2 2017 to double the revenues realised in H1 2017
- ◆ Sarine's breakthrough Clarity and Colour grading technology strengthens the Group's comprehensive offerings for polished diamonds; commercialisation of Clarity and Colour technologies scheduled for Q3 2017 and these service offerings will expand the Group's recurrent income

# Strong Balance Sheet (debt free)

(US\$ millions)	30 Jun 2017	31 Dec 2016
<b>Non-Current Assets</b>	<b>24.8</b>	<b>24.1</b>
- Property, plant & equipment	16.0	14.1
- Intangible assets	6.7	7.5
<b>Current Assets</b>	<b>65.6</b>	<b>67.7</b>
- Inventories	8.4	9.2
- Trade receivables	17.6	17.0
- Cash & bank deposits	37.1	38.0
<b>Non-current Liabilities</b>	<b>0.2</b>	<b>0.1</b>
<b>Current Liabilities</b>	<b>12.5</b>	<b>12.3</b>
- Trade payables	2.5	3.7
- Other payables	8.8	8.0
<b>Shareholders' Equity</b>	<b>77.8</b>	<b>79.3</b>



# Dividend

US cent/share	2017	2016	2015	2014	2013
Interim	<b>2.00</b>	2.00	1.50	2.00	1.50
Special interim	-	NA	NA	1.00	2.50
Final	-	2.50	1.50	2.00	2.00
<b>Total</b>	<b>-</b>	<b>4.50</b>	<b>3.00</b>	<b>5.00</b>	<b>6.00</b>



# Going Forward

- ◆ The Group remains confident of expanding its market penetration of the Galaxy™ family of inclusion mapping systems, in spite of illicit Indian competition, and continuing its market domination for diamond manufacturing products
- ◆ New diamond planning (Advisor™ 7.0) breakthrough features, enabling light performance optimization and branded and modified stones enhancements provide key link to wholesale and retail markets, via Sarine Profile™
- ◆ Services integrated and marketed as the Sarine Profile™, complemented by Sarine's new Clarity and Colour grading technologies address the wholesale and retail trade of polished diamonds – a significant new market for the Group.
- ◆ Expanding revenue base into polished diamond market, an industry segment with substantially higher volume and margins, opens up the potential for additional recurring revenue streams





# Competitors

<b>Inclusion Mapping (55% of Sales; 35% of which Recurring)</b>	<b>Diamond Planning &amp; Grading Products (35% of Sales)</b>
<p><b>OctoNus (Russia)</b> Offers services, but no significant sales of Immersion Glass inclusion mapping system; teamed with Lexus in India for sales</p> <p><b>Sahajanand Laser Technology (Ahmedabad, India)</b> Launched Nebula inclusion mapping system but no commercial success</p>	<p><b>OctoNus (Russia)</b> High-end rough planning and polished evaluation equipment; specialises in optimisation of colour saturation in fancy coloured diamonds</p> <p><b>Sahajanand Laser Technology (Ahmedabad, India)</b> Low-end rough planning equipment with minimal market presence (a key reason Nebula inclusion mapping system realised no commercial success)</p> <p><b>Sahajanand Technologies (Surat, India)</b> Former Sarine distributor in India- markets rough planners for low and medium range applications</p> <p><b>OGI Systems (Israel)</b> Price player with diminished international presence</p>
<ul style="list-style-type: none"> <li>• Combined market share of competitors for diamond planning &amp; grading products is still smaller than Sarine's (~70+%)</li> <li>• Other Sales – Maintenance and Spare Parts 5% (Recurring), Quazers 3% and Profile 2%</li> </ul>	

