

Sarine Technologies Ltd.

Corporate Introduction

May 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



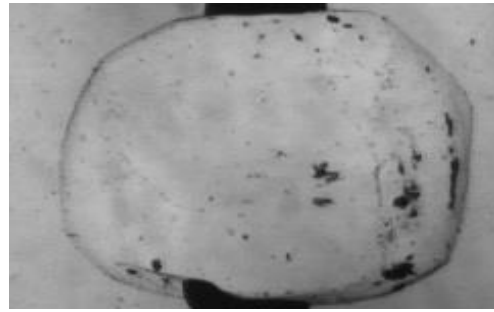
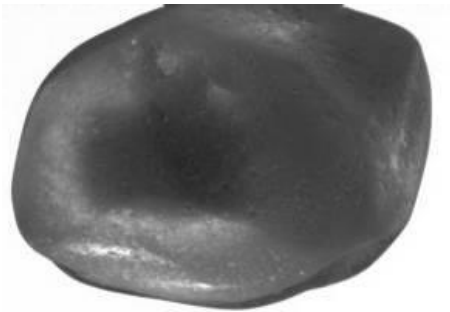
Sarine Technologies

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



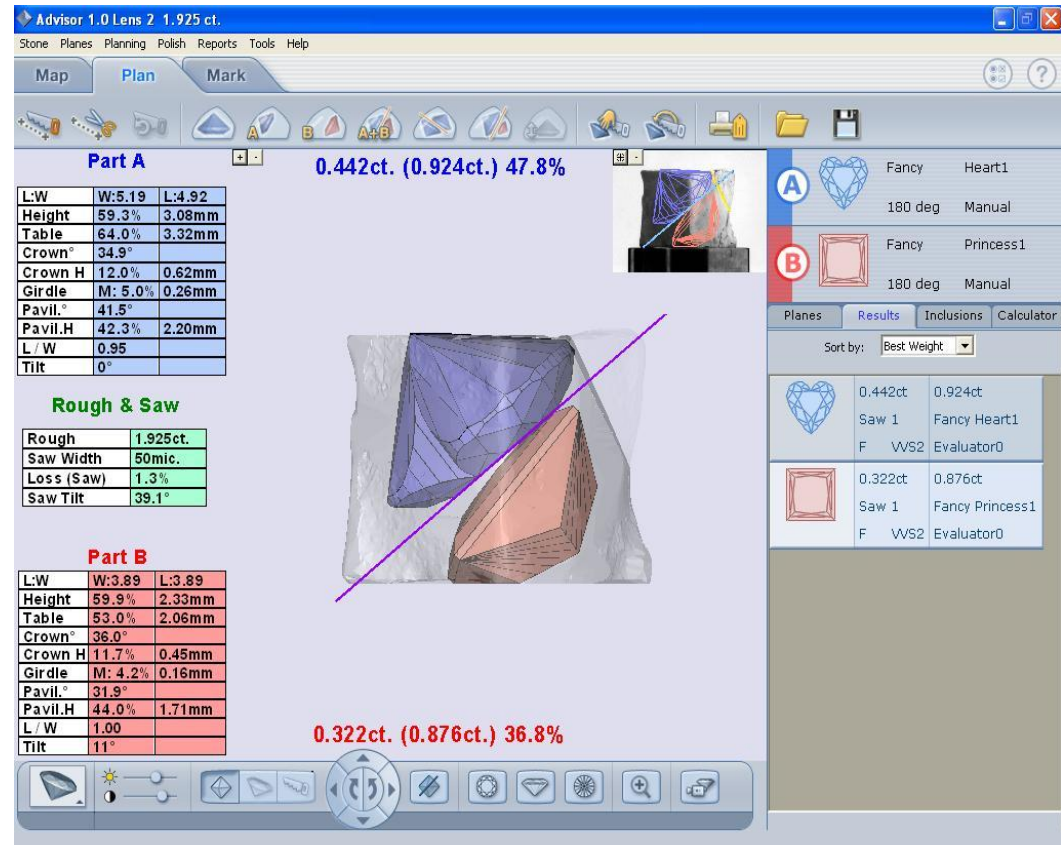
Traditional Diamond Planning



Planning Revolution

1995

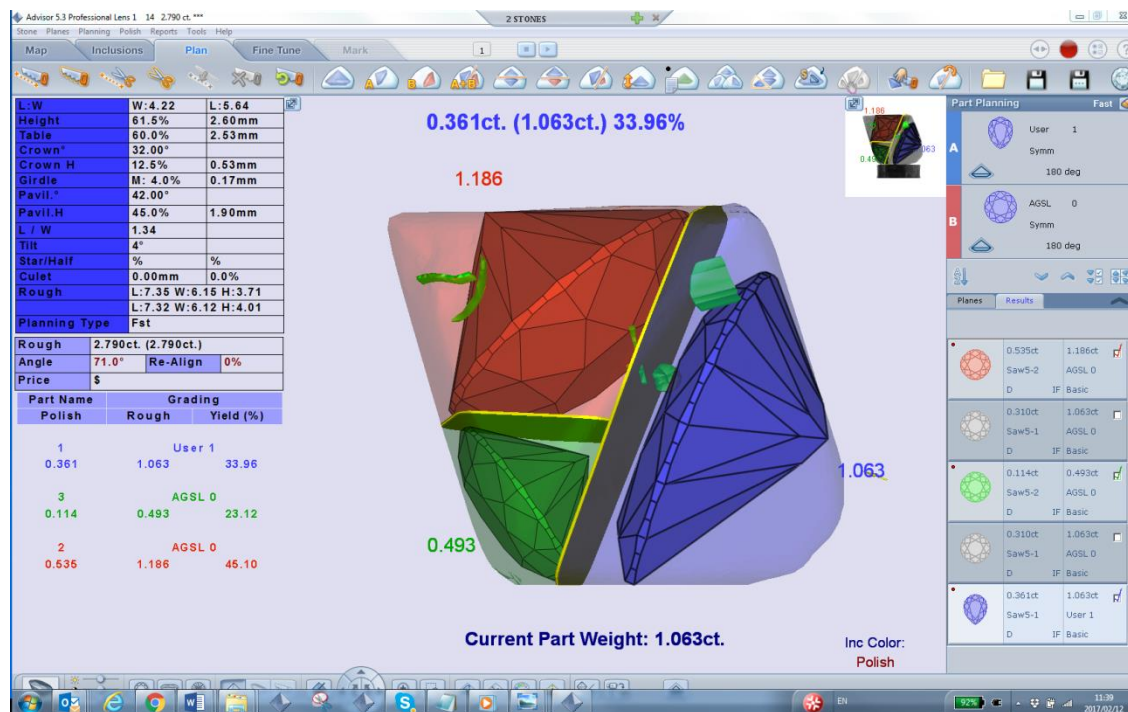
- ◆ In 1995 Sarine introduces first computerised planning for diamonds
- ◆ Advanced algorithms to model and plan the optimised polished diamond
- ◆ Based on patented technologies for scanning and marking of diamonds



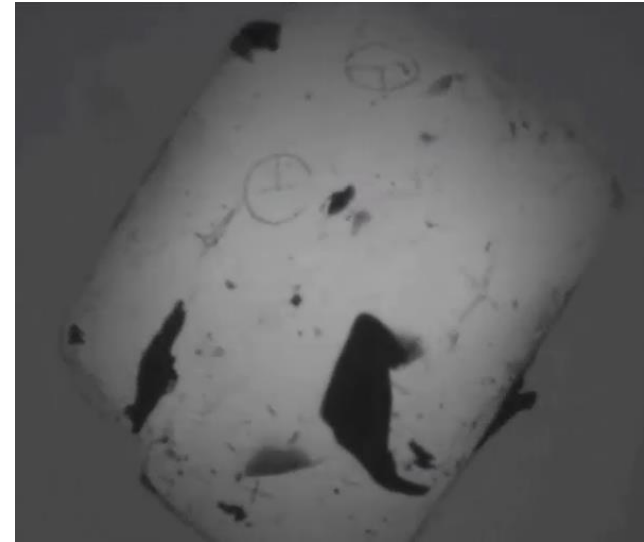
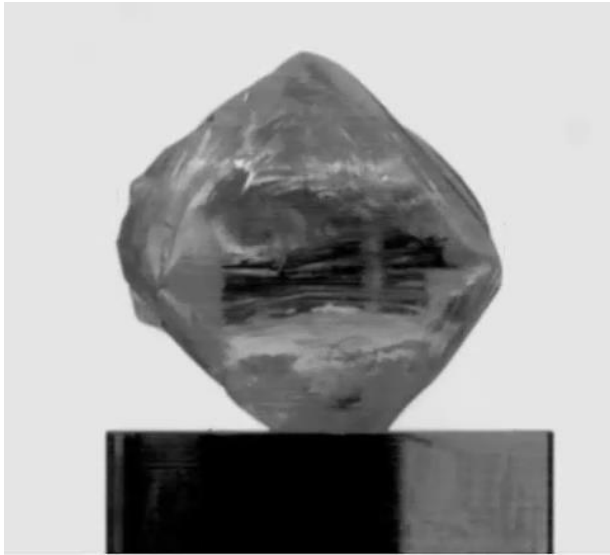
Advanced Diamond Planning

2005

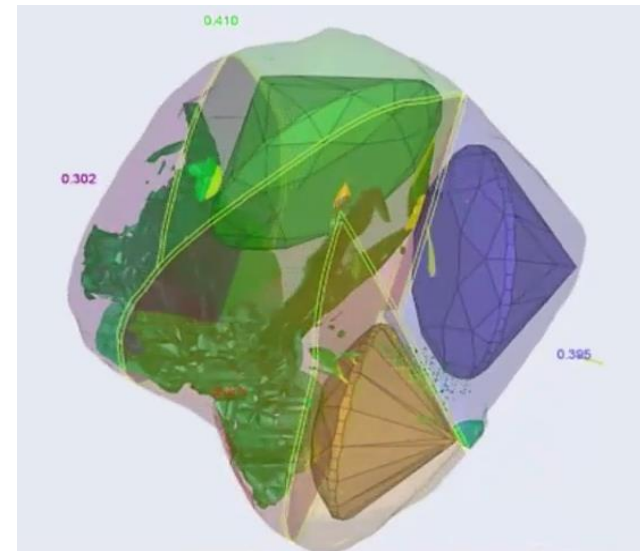
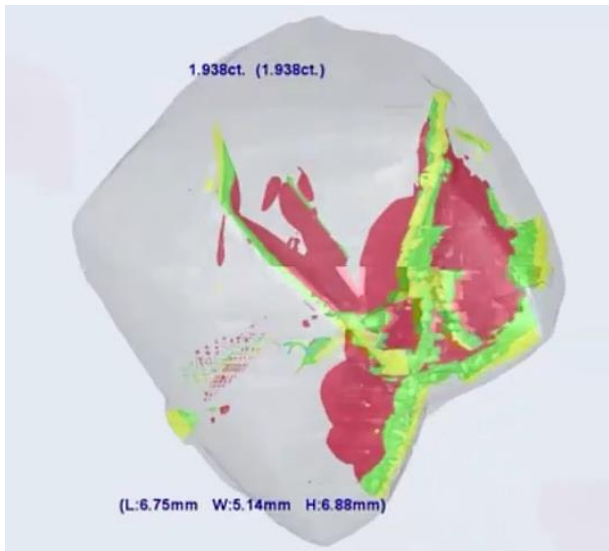
- ◆ Advances in computerised planning enables significantly better utilisation of the diamond raw material
- ◆ Multiple polished diamonds from a single rough diamond
- ◆ Initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)



Planning Using Galaxy™



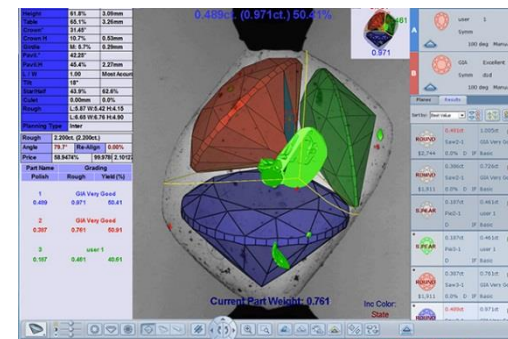
2010



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



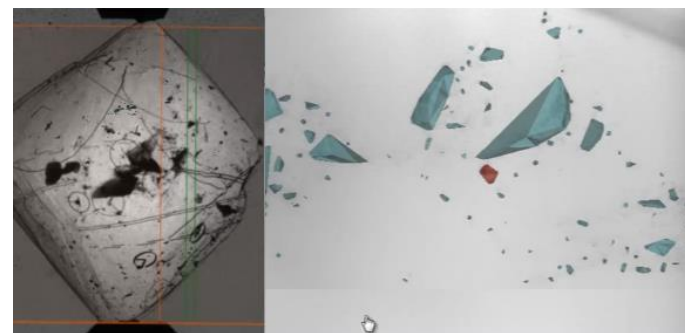
Atom System (>1000 stones per day)



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 316 systems as of 31 March 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

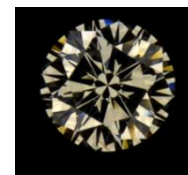
High Clarity, color and Cut grades



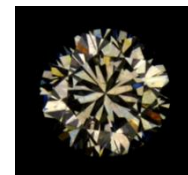
Low Clarity



Low color

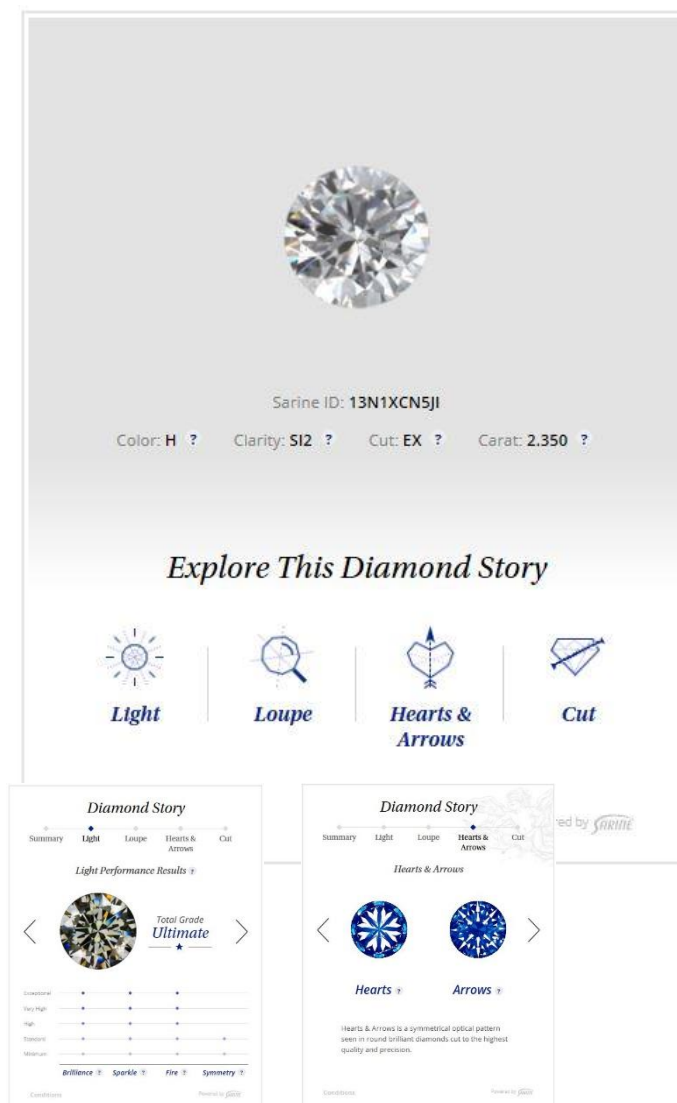


Low Cut



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 and US's third largest wholesale distributor – GN Diamonds



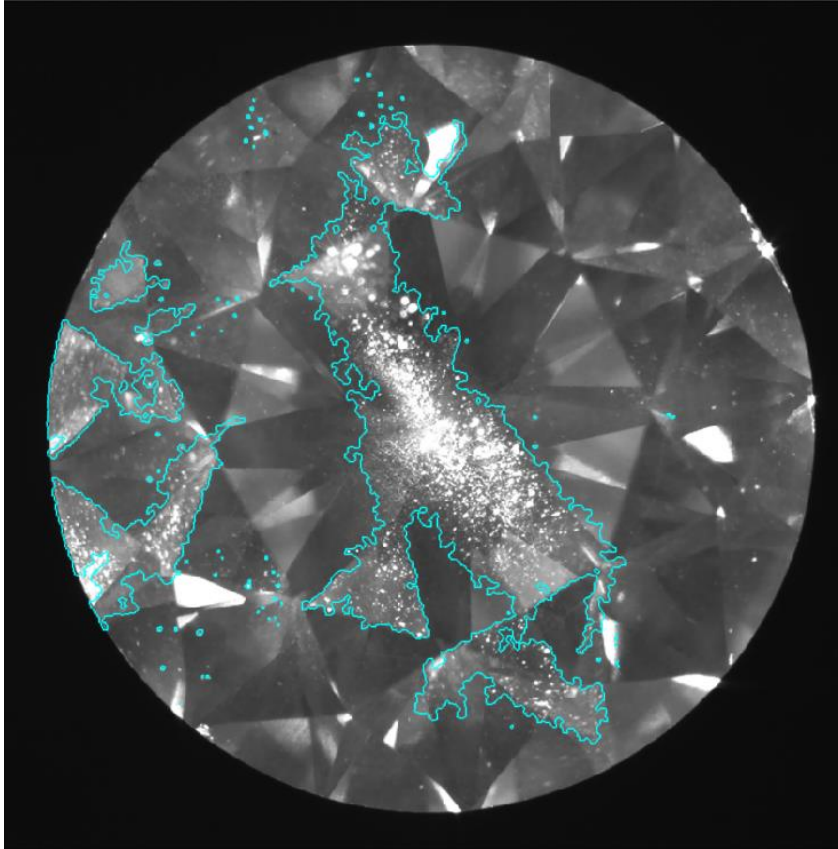


New Clarity and Color Technology

- ◆ Groundbreaking Clarity technology to provide automated, objective and consistent Clarity measurement and grading – a first for the diamond industry
- ◆ This breakthrough technology will significantly simplify, expedite and refine the Clarity grading process, and hence polished diamond sorting and sourcing
- ◆ New advanced computerized color evaluation technology to provide automated, objective and precise Color grading
- ◆ The combination of these two new technologies will broaden the Group's offerings for polished diamonds with revolutionary new products and services for Clarity and Color grading
- ◆ Business model for products and services utilizing Clarity and Color grading capabilities will be similar to that of Galaxy™ family systems and should expand the Group's recurring income and improve margins
- ◆ Both technologies undergoing large scale testing now, with commercialization scheduled in Q3 2017



New Clarity and Color Technology



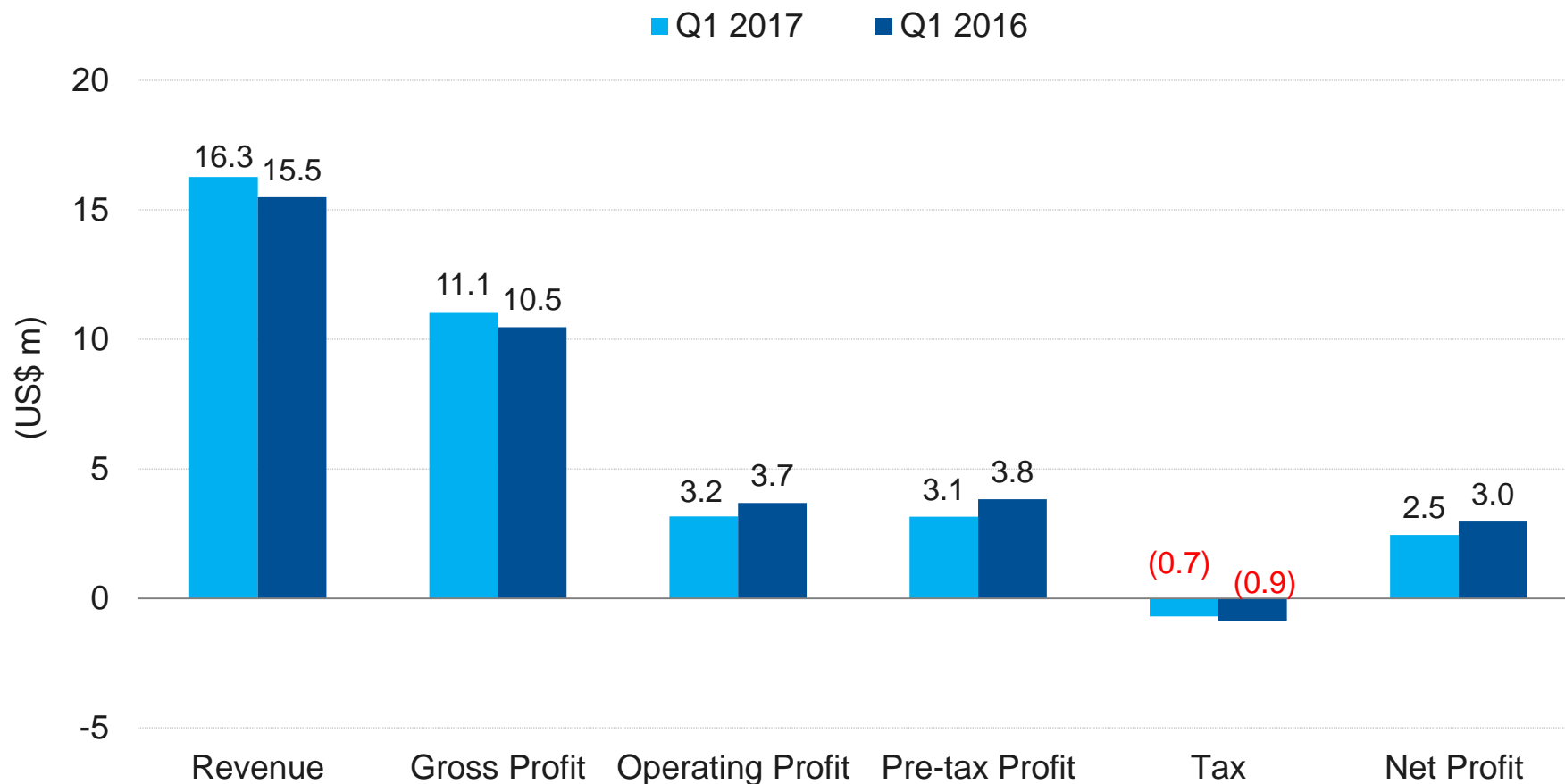
Example - stone with invisible cloud of micron-sized inclusions



Results Update



Q1 2017 Results Summary



% change	+ 5%	+ 6%	(14%)	(18%)	(20%)	(17%)
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Q1 2017 Results Highlights

- ◆ Group revenue rose 5% to US\$16.3m with higher capital equipment sales and recurring income amidst positive business conditions
- ◆ Recurring revenue represented about 42% of overall revenue and trade revenues (contributions by Sarine Profile and components) represented about 2% of overall revenue
- ◆ Fewer Galaxy™ deliveries in Q1 2017 following termination of Meteor™ promotion as of December 2016 and other issues
 - ◆ This was expected and the Group is confident that the yield enhancement provided by the Galaxy™ family of inclusion mapping system remains very compelling to diamond manufacturers
- ◆ Net profit declined 17% to US\$2.5m
 - ◆ Higher operating costs to support continued growth and launch of new services
 - ◆ Strengthening of Israeli NIS by 5% against the US dollar - about a third of overall cost increases!



Prospects

- ◆ Positive macroeconomics should continue to underpin healthy industry activity and, by extension, the Group's sales
- ◆ Backed by strong growing interest for Sarine Profile™ from large regional and national chains as well as high-end independents, the Group targets to double the number of Sarine Profile™ scanned stones in 2017 and increase trade revenues to about 5% of Group revenue
- ◆ Sarine's breakthrough Clarity evaluation and grading technology and its new advanced Colour classification technology, strengthens the Group's comprehensive offerings for polished diamonds
- ◆ New offerings with Clarity and Colour grading capabilities will expand the Group's recurrent income
- ◆ Commercialisation of Clarity and Colour technologies scheduled for Q3 2017



Strong Balance Sheet (debt free)

(US\$ millions)	31 Mar 2017	31 Dec 2016
Non-Current Assets	25.1	24.1
- Property, plant & equipment	15.6	14.1
- Intangible assets	7.1	7.5
Current Assets	69.3	67.7
- Inventories	9.3	9.2
- Trade receivables	15.7	17.0
- Cash & bank deposits	40.9	38.0
Non-current Liabilities	0.2	0.1
Current Liabilities	11.5	12.3
- Trade payables	3.4	3.7
- Other payables	7.4	8.0
Shareholders' Equity	82.8	79.3



Dividend

US cent/share	2016	2015	2014	2013	2012
Interim	2.00	1.50	2.00	1.50	1.25
Special interim	-	-	1.00	2.50	2.00
Final	2.50	1.50	2.00	2.00	1.25
Total	4.50	3.00	5.00	6.00	4.50



Going Forward

- ◆ Given the immediate tangible benefits of Sarine's unique technology and the lack of substantial competition, the Group is confident in further expanding its market penetration of the Galaxy™ family of inclusion mapping systems
- ◆ Inclusion mapping systems market penetration enhances demand for Sarine's planning and laser cutting and shaping products and contributes to the consolidation of the Group's leading market share for diamond manufacturing products
- ◆ New services integrated and marketed as the Sarine Profile™, complemented by Sarine's new Clarity and Color grading technologies address the wholesale and retail trade of polished diamonds – a significant new market for the Group expanding its revenue base into an industry segment with substantially higher volume and margins and a significant potential for additional recurring revenue streams



Competitors

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

