

Sarine Technologies Ltd.

Corporate Presentation

February 2019



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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 2017



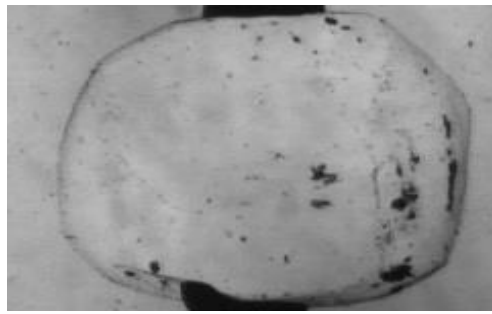
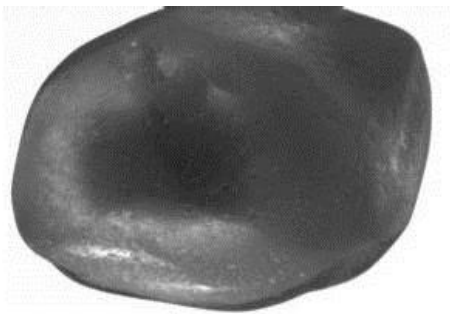
Sarine Technologies

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



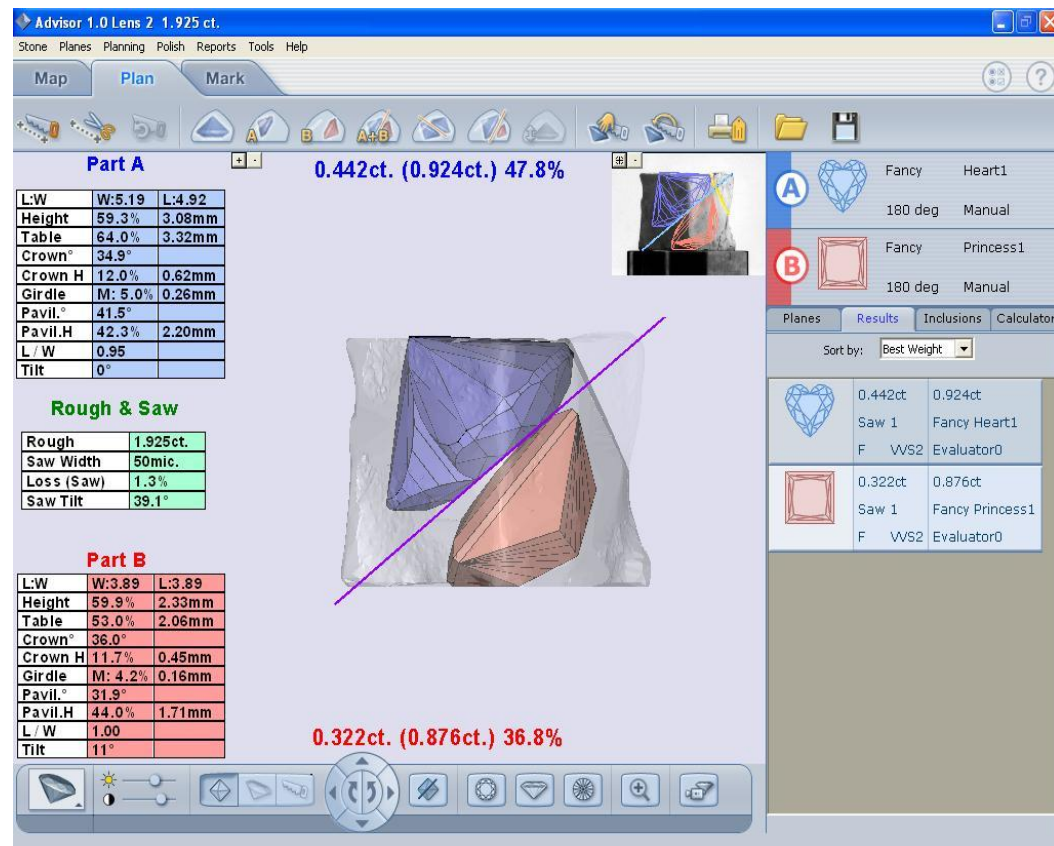
Traditional Diamond Planning



Planning Revolution – Phase I

1995

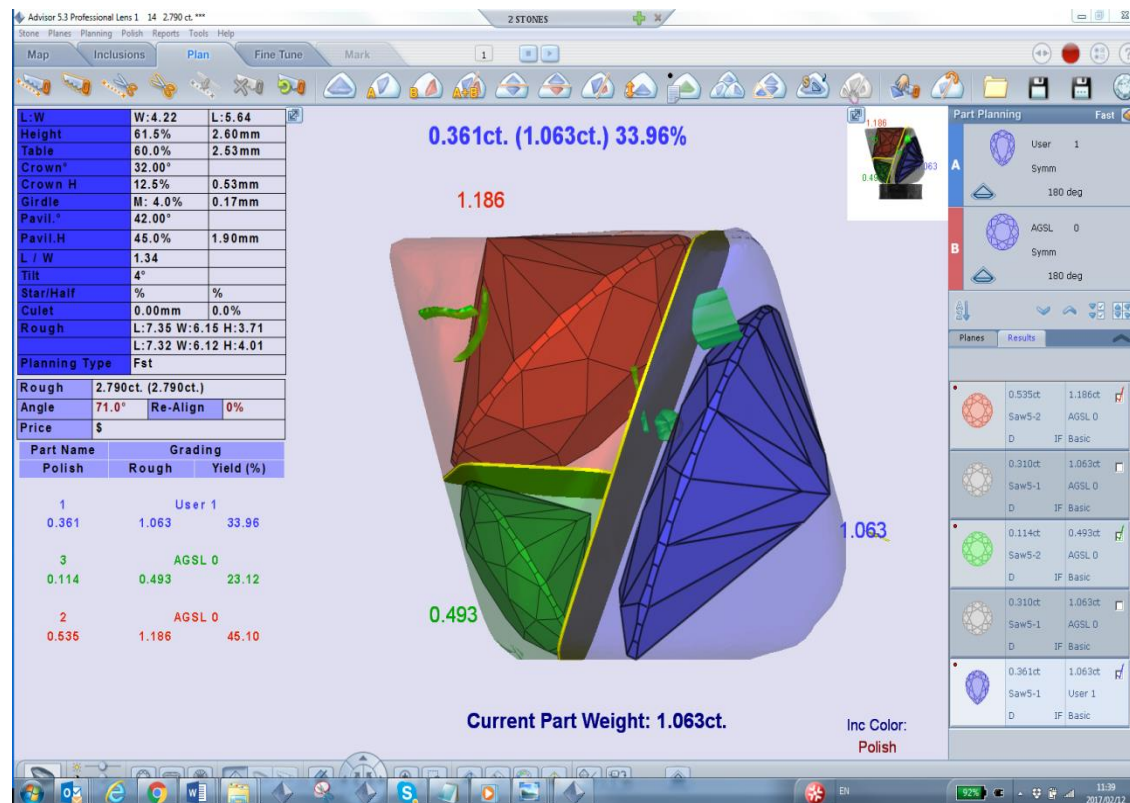
- ◆ In 1995 Sarine introduces first computerised planning for diamonds
- ◆ Software algorithms to model and plan the optimised polished diamond
- ◆ Based on patented technologies for scanning and marking of diamonds
- ◆ Still simple solutions with no input on diamond's internal characteristics



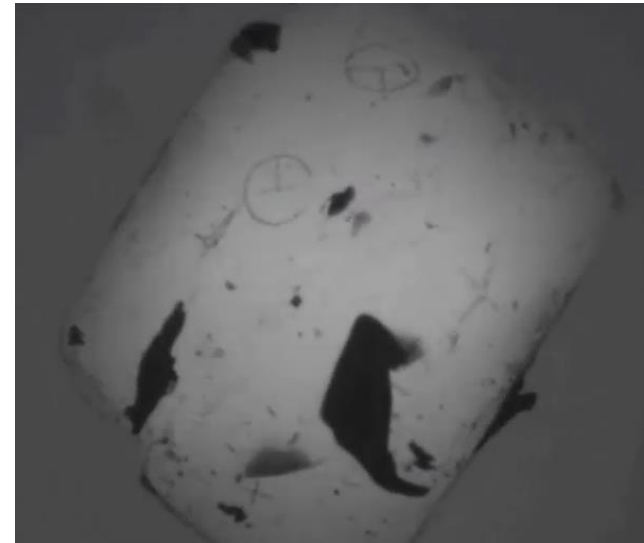
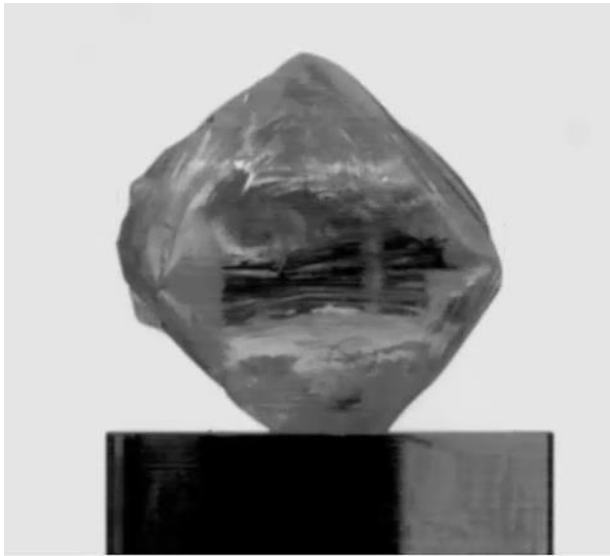
Planning Revolution – Phase II

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

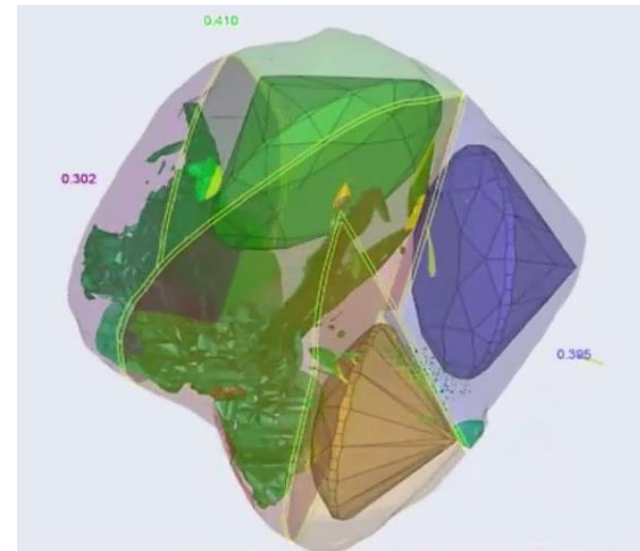
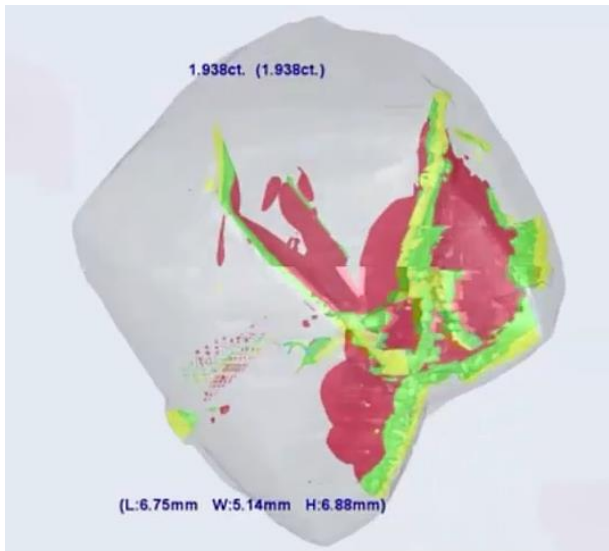
2005



Phase III - Optimal Planning Using Galaxy®



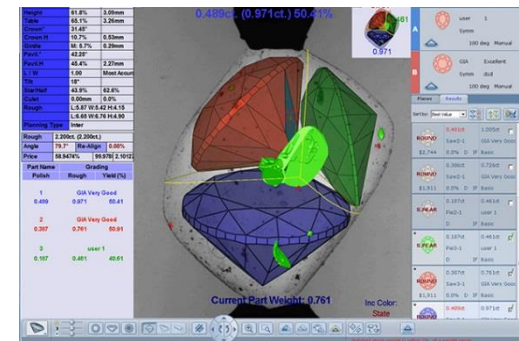
2010



Optimal Planning - Advisor® Meets 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 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 under 40% to over 50%

Multiple Diamonds Planning



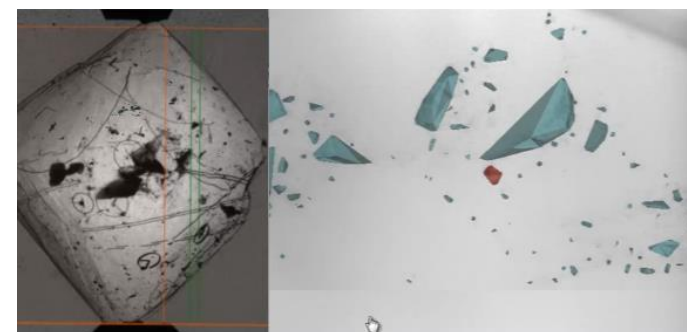
Atom System (>1000 stones per day)



Galaxy[®] Family

- ◆ Rollout in 2010 with Galaxy[®]1000
- ◆ Price Per Carat 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[™] – smaller diamonds (< 0.9 ct.s)
 - ◆ Meteorite[™] – most cost-effective system for smallest < 0.40 carat sizes
- ◆ Total installed base of 410 systems as of 31 December 2018
- ◆ No legitimate competition for Group's patented automated inclusion mapping systems in the market today

///GALAXY
1000



///GALAXY
ULTRA



Trade & Retail Downstream Revolution

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



Trading Challenges – Clarity Ambiguity



All GIA Graded I1 Diamonds



Phase I - Sarine Loupe™ and Light™

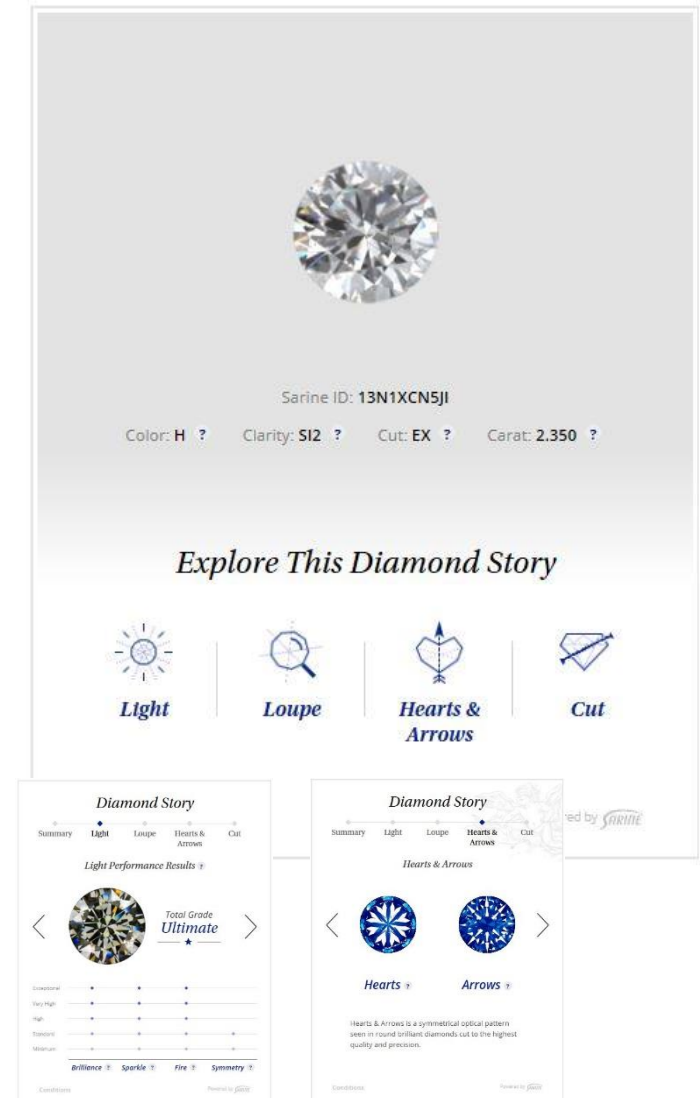
- ◆ Sarine Loupe™ is a unique imaging and inspection system that captures a polished diamond, with its internal features, in simulated 3D at various levels of magnification
- ◆ Enables buyers to view the polished stone from a multitude of angles and at varying magnifications without having it in hand; simplifies the buying process of polished diamonds wholesale; enhances the online and in-store buying experience
- ◆ With increasing demand for quality branded diamonds, Sarine Light™ light performance parameters - brilliance, fire, scintillation/sparkle and symmetry, are key consumer-oriented criteria, as they specifically address appearance and beauty
- ◆ Integration of Sarine Light™, Sarine Loupe™ has created the consumer-oriented “diamond story” – the Sarine Profile™

Sarine Loupe™ Imagery Polished Diamond



Phase II - Sarine Profile™

- ◆ Digital technologies are gaining traction as an essential marketing tool for polished diamonds
- ◆ Sarine Profile™ utilises all the benefits of Sarine's diverse cutting-edge imaging technologies to “show and tell” the stone with graphic and video displays instead of a dry tabular non-intuitive report
- ◆ Product launched 2015; paradigm is now in use with retailers in the APAC and U.S. markets at an aggregate of over 1,200 retail locations ("doors")
- ◆ Adopted by leading diamond retailers in China, Hong Kong, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand in APAC, as well as Australia, India, the United Kingdom, Poland and the United States



Enhanced Profile™ with Diamond Journey™



- ◆ Leverages on our extensive presence in the midstream, having planned some 45 million stones using Advisor® 7.0 in 2018 alone
- ◆ Provides captivating visualisation of the entire processing of the rough stone - as mined, as modelled, as scanned, as planned and as cut and polished at various stages, culminating in its final polished form; insight into painstaking craftsmanship that went into creating unique gem
- ◆ To be integrated into and powered by leading blockchain technology
- ◆ Reinforces confidence in the responsible sourcing and manufacture of the diamond
- ◆ Adopted by Dominion, Canada's largest and world's third largest diamond producer, for CanadaMark™ diamonds as well as by leading suppliers in India and Israel for use by their retail customers
- ◆ Imminent launches with retailers in China, Japan and Thailand



Sarine Diamond Journey™



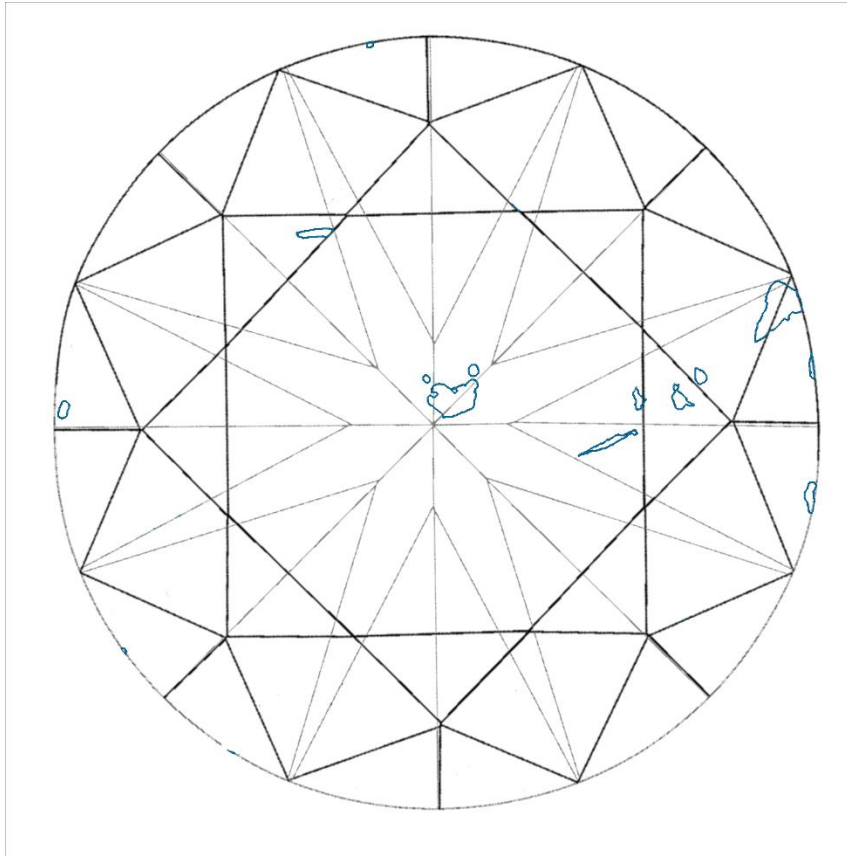
Phase III - Grading Revolution: Clarity and Color by Artificial Intelligence Technology



- ◆ Groundbreaking Artificial Intelligence (AI)-based Clarity technology provides automated, objective and consistent Clarity measurement and grading – a first for the diamond industry; more consistent than manual process, will simplify, expedite and refine the Clarity grading process and enhance polished diamond sorting and sourcing
- ◆ New advanced (AI)-based Color evaluation technology also provides automated, objective and more precise Color grading.
- ◆ The combination of these two new technologies enables polished diamonds grading at a revolutionary new level of consistency and reverses eroding consumer confidence.
- ◆ Business model for Clarity and Color grading capabilities will be industry-standard per-carat charge, attractively packaged with Sarine Profile™, light performance grading and Sarine Diamond Journey™, should significantly expand the Group's recurring income and improve margins; addresses over US\$500M annual market of diamond grading reports
- ◆ Sarine Technology Lab opened February 2018; second lab in India opened in May 2018
- ◆ Initial adoption by retailers in China and Hong Kong, as well as by leading Israeli manufacturer/wholesaler



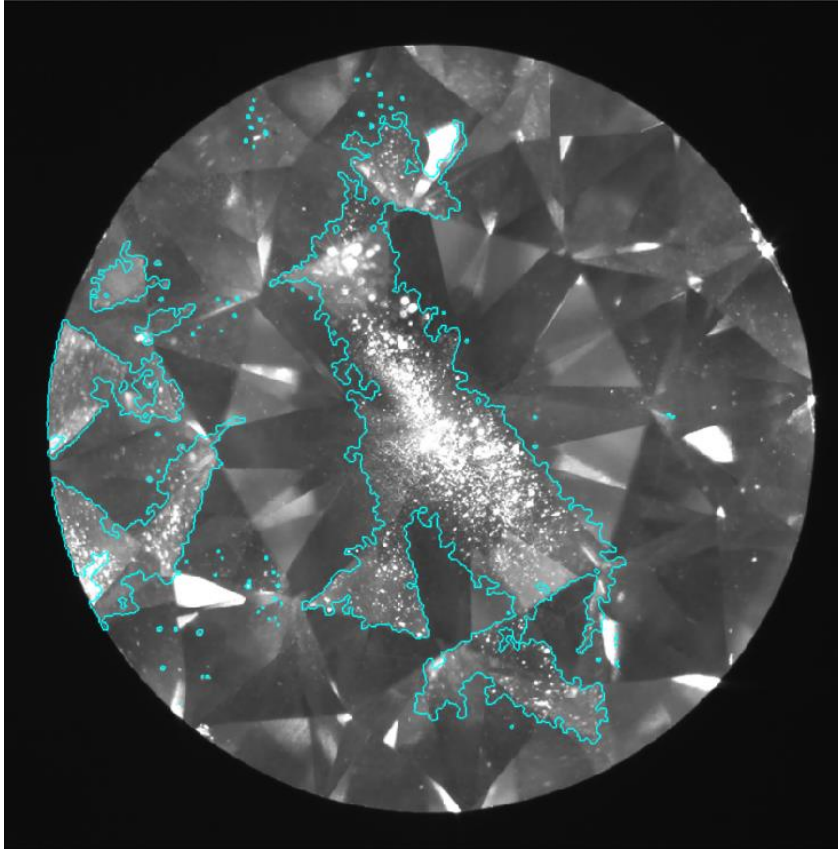
New Clarity Technology



Example – SI1 stone with even lesser inclusions clearly plotted



New Clarity Technology



Example - stone with invisible cloud of micron-sized inclusions



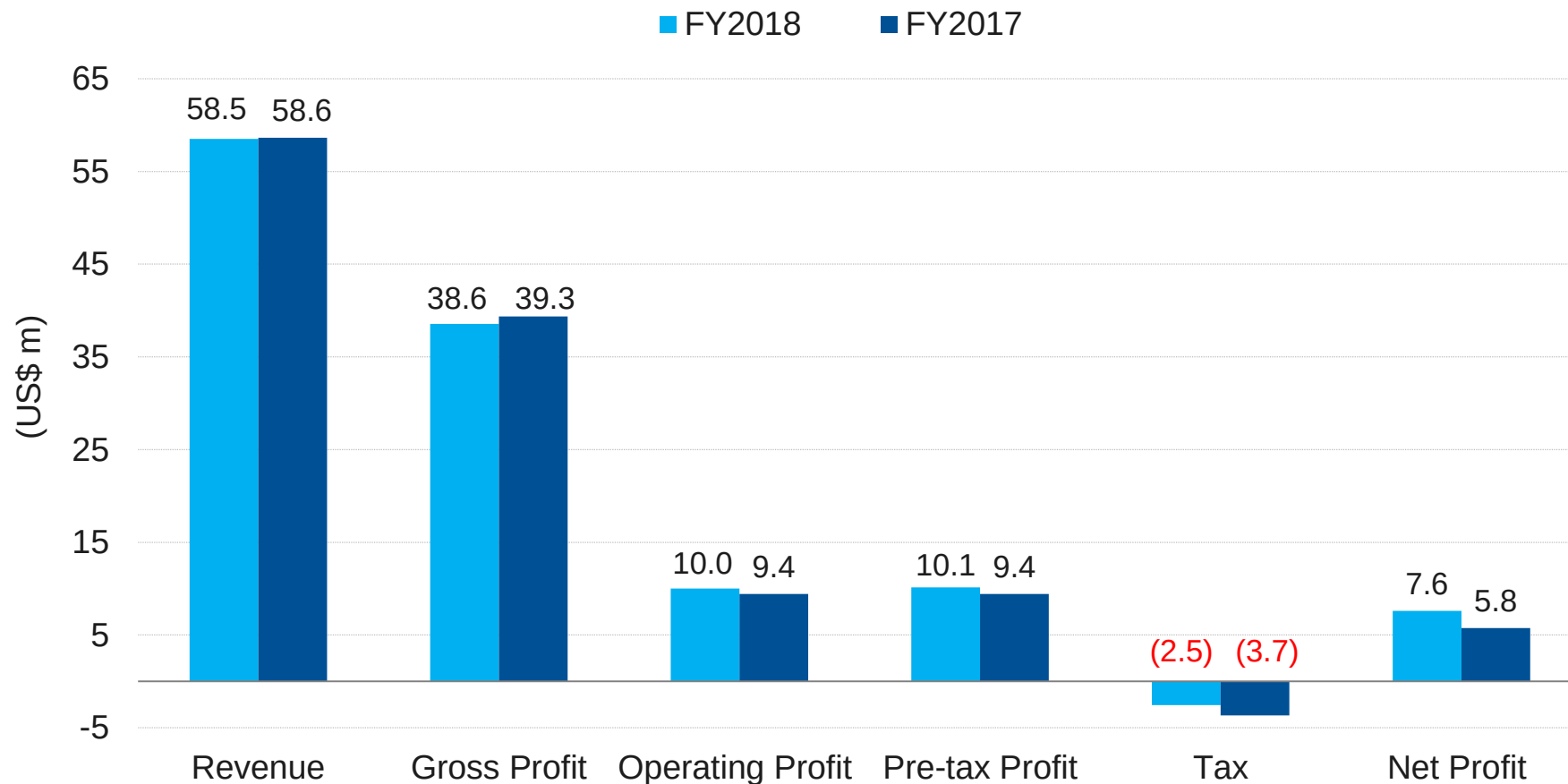
- ◆ Specially designed for diamond traders and retailers, Sarine Connect™ is a customisable digital solution for the presentation of loose polished diamonds and jewelry during the sale process
- ◆ Cloud-based, Sarine Connect™ stores and manages comprehensive tabular, graphic, image and video information related to the offered inventory, keyed by an advanced search and display tool for instantaneous presentation of items during the sales discourse
- ◆ By offering comprehensive inventory management, at the wholesale or retail chain level, Sarine Connect™ effectively creates a virtual inventory accessible in parallel at all points of sale, thus reducing inventory levels and costs substantially
- ◆ The displayed data, integrated with the Sarine Profile™, provides for an engrossing interactive medium on any digital device (tablet, cellphone, etc.) to enhance the customer's experience and engage him/her attentively



Financial Results Update



FY2018 Results Summary



% change	(0%)	(2%)	+ 6%	+ 8%	(31%)	+ 32%
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FY2018 Results Highlights

- ◆ Cautious business sentiments prevail in the diamond industry due to uncertainties surrounding the following issues:
 - ❖ Impacts of trade tariffs on China
 - ❖ Ongoing credit tightening by Indian banks
 - ❖ Devaluation and increased volatility of Indian Rupee against USD
 - ❖ Long-term effects with introduction of Lab Grown Diamonds into the market
- ◆ The Group maintained stable revenue at US\$58.5m and achieved 32% increase in net profit to US\$7.6m in FY2018
 - ❖ Overall recurring revenues accounted for approximately half of Group revenue
 - ❖ Polished diamond retail-related revenues grew just under 15% and contributed over 2% to FY2018 revenue
- ◆ With an expanded installed base of 410 Galaxy® family systems as at 31 December 2018, number of stones scanned rose 20% to a record 12 million in FY2018 despite lower rough diamond volume entering the manufacturing pipeline
- ◆ In Q4 2018, revenue and net profit declined to US\$12.2 million and US\$0.1 million respectively



Immediate Prospects

- ◆ Positive global macroeconomics should continue to underpin healthy consumer demand though disagreements over trade issues between the US and China negatively impacting sentiments in short term
- ◆ Breakthrough planning features - light performance optimisation, branded / modified-cut stones planning, interactive enhancements and soon-to-be-released Advisor® 8.0's tension analysis widen gap with illicit competition and incentivise brand loyalty on top of aggressive industry-wide legal steps against piracy
- ◆ Backed by accelerating interests in APAC and North America and by enhanced features - AI-based 4Cs automatic grading and Sarine Diamond Journey™, the Group expects revenue growth from additional and expanding sales programs utilising Sarine Profile™
- ◆ Sarine's breakthrough Clarity and Color AI-based automated 4Cs grading addresses annual market of over US\$500M for diamond grading reports and significantly strengthens the Group's comprehensive offerings for polished diamonds



Strong Balance Sheet (debt free)

(US\$ millions)	31 Dec 2018	31 Dec 2017
Non-Current Assets	20.6	23.9
- Property, plant & equipment	14.6	15.6
- Intangible assets	4.9	6.6
Current Assets	55.3	56.4
- Inventories	7.0	7.2
- Trade receivables	16.4	17.3
- Cash & bank deposits	28.9	29.1
Non-current Liabilities	0.2	0.2
Current Liabilities	10.1	9.4
- Trade payables	2.3	1.8
- Other payables	6.8	6.7
Shareholders' Equity	65.7	70.7



Dividend

US cents/share	2018	2017	2016	2015	2014
Interim	2.00	2.00	2.00	1.50	2.00
Special interim	-	-	-	-	1.00
Final	1.00*	1.50	2.50	1.50	2.00
Total	3.00	3.50	4.50	3.00	5.00

* Subject to AGM approval



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 of continuing its market domination for diamond planning and other manufacturing products
- ◆ Unique diamond planning DiaExpert[®] Edge breakthrough upgrade and Advisor[®] 7.0/8.0 unique features, enabling light performance optimisation, branded / modified stones enhancements and soon-to-be-released tension analysis, provide leverage to thwart illicit competition
- ◆ Services integrated and marketed as the Sarine Profile[™], complemented by Sarine's new AI-based Clarity and Color grading technologies and Sarine's Diamond Journey[™] address the wholesale and retail trade of polished diamonds – the most significant segment of the diamond industry value chain
- ◆ Expanding revenue base into polished diamond grading reports, an industry segment with over US\$500 million annual recurring volume and higher margins



Competitors

Inclusion Mapping 55% of total sales; 40% recurring 90% market share of stones over 2.5 carats	Diamond Planning Products (35% of total sales)
OctoNus (Russia) Offers services, but no significant sales of Immersion Glass inclusion mapping system; teamed with Lexus in India for sales Sahajanand Laser Technology (Ahmedabad, India) Launched Nebula inclusion mapping system but no commercial success	OctoNus (Russia) High-end rough planning and polished evaluation equipment; specialises in optimisation of colour saturation in fancy coloured diamonds 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) Sahajanand Technologies (Surat, India) Former Sarine distributor in India- markets rough planners for low and medium range applications OGI Systems (Israel) Price player with diminished international presence
• 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%	

