



# ***Sarine Technologies Ltd.***

***Corporate Presentation***

***February 2021***



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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 2019 (latest data available)



# Our Technologies Span Entire Value Chain

Sarine Technologies, through its application of patented solutions (proprietary mechanics, electronics, optics, lasers and sophisticated software) is a global leader in the development of systems used throughout the entire diamond value chain, from mine to retail, from rough diamonds evaluation, trading, planning and polishing to polished diamonds grading and wholesale and retail trade.

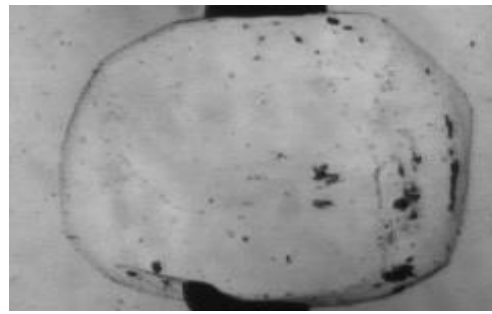
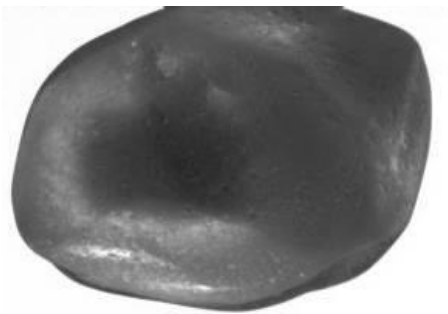


# Our Revolution of Diamond Polishing



- ◆ Traditionally based on worker skill and experience: long training process and inconsistent results from different workers
- ◆ Low utilisation of valuable material: ~35%
- ◆ Typically limited to simple solutions: single sawing plane with two polished stones
- ◆ Significant human error in execution of planned solutions

## Traditional Diamond Planning



# Revolution – Phase I



1999 - 2009

- ◆ Computerised planning eliminates most guesswork and risk and enables better utilisation of rough diamond material
- ◆ Multiple polished diamonds from a single rough diamond (manually almost never more than two)
- ◆ From 2006 initial use of manually indicated inclusions (very rudimentary diamond Clarity solution)

The screenshot displays the SARINE software interface for diamond planning. The main window shows a 3D model of a rough diamond with planned facets in red, green, and blue. The current part weight is 1.063ct. The interface includes a data table on the left, a top menu bar, and a right-hand panel for part planning.

Part Name	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

Additional data from the interface:

- 0.361ct. (1.063ct.) 33.96%
- 1.186
- 0.493
- 1.063
- Current Part Weight: 1.063ct.
- Inc Color: Polish

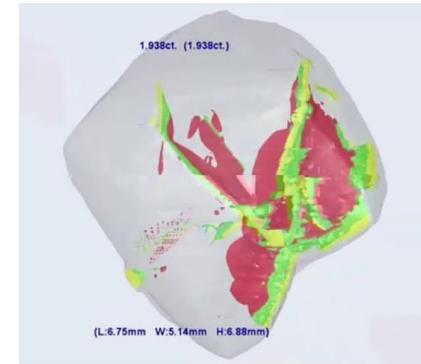


# Phase II - Advisor<sup>®</sup> Meets Galaxy<sup>®</sup>



- ◆ Optimal planning is enabled by integrating with Galaxy<sup>®</sup> inclusion scanning, as it truly enables planning including Clarity criteria for true best value.
- ◆ Advisor<sup>®</sup> is the most widely used rough planning software - **over 25,000 installations processed an estimated 100 million stones in 2020.**
- ◆ Super fast analyses of single-point sizes to high accuracy multi-stone planning of large complicated diamonds up to 200 carats, based on real-time market trend data.
- ◆ **Optimal use of rough stone weight increased by more than 25% from 35-40% to over 50%.**
- ◆ Integration with inclusion mapping creates higher penetration barrier; also integrated with our best-in-class Quazer<sup>®</sup> laser cutting system.

## Galaxy “CT” of Rough Internals



## Multiple Diamonds Planning

Part Name	Grading	Yield (%)
1	GIA Very Good	50.41
2	GIA Very Good	50.81
3	user 1	49.51

Part Name	Grading	Yield (%)
1	GIA Very Good	50.41
2	GIA Very Good	50.81
3	user 1	49.51

Current Part Weight: 0.781

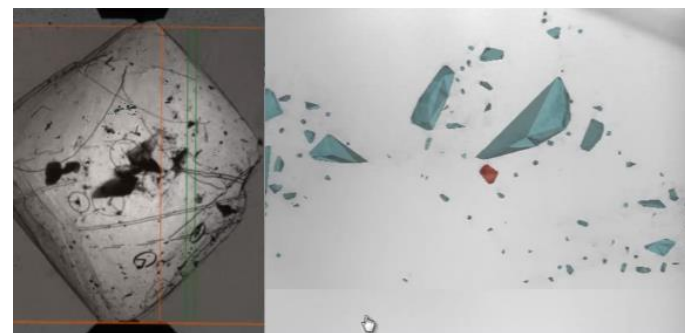


# Galaxy<sup>®</sup> Family

- ◆ Introduced in 2010 with Galaxy<sup>®</sup> 1000
- ◆ Subsequent Galaxy<sup>®</sup> models provide solutions for higher clarities (VVS), for extra large diamonds up to 200 carats and for optimal processing of small and very small sizes to achieve cost-effective operations
- ◆ ***Price Per Carat model with ~80% gross margin; recurring revenue drives today ~40% of Group top line!***
- ◆ Total installed base of 631 systems as of 31 December 2020
- ◆ No meaningful legitimate competition for Group's patented technology.
- ◆ ***Stone scanning run rate in Q4 2020 and initial months of 2021 indicate annual increase in 2021 of ~40% over 2019 to nearly 27 million stones; 2020 scans 5% more than 2019, despite Covid-19 and ~30% fewer stones in pipeline.***

SARINE

**/// GALAXY**  
1000



**/// GALAXY**  
ULTRA





# Trade & Retail Downstream Revolution



- ◆ What are the challenges?
  - ◆ B2B challenges – current manual Clarity and Color grading subjective, dictating necessity for actual visual inspection at sourcing and leading to significant rejection of delivered polished diamonds.
  - ◆ Consumer transparency – 4C's primarily define rarity; consumers want additional information pertaining to beauty and quality of workmanship as well as documentation of sustainable and socially responsible mining, sourcing and polishing of stones.
  - ◆ Today's consumer wants information presented in intuitive and engaging digital formats enabling support of social media for peer-to-peer communications.
  - ◆ Lab-grown diamonds creating entire new market of lower valued goods, dictating need for differentiation and requiring documentation of quality and sustainability at a completely different cost level.



# Traceability with Diamond Journey™



- ◆ Provides captivating visualisation of the entire history of the rough stone – from mine to polished gem. Actual real-time generated imagery tracks stone through key stages from initial record at mine through polishing to final fingerprinted gem; captivates consumer with insight into painstaking craftsmanship of creating his/her unique gem.
- ◆ Documents the responsible sourcing and manufacture of the diamond – key to concern of consumers and other industry players (governments, banks, insurers and social groups – e.g. Human Rights Watch) for tracing of diamonds' sources; ***not based on declaratory information but on actual data collected throughout the process.***
- ◆ Leverages our extensive presence in the midstream to implement ***solution with minimal overhead, disruption or cost to manufacturers;*** based on existing installed base of Sarine's aforementioned industry-leading manufacturing technologies.
- ◆ Supported by Alrosa, world's largest diamond producer by carats, and Lucara; additional miners running pilot tests.
- ◆ Leading polishers in India and Israel have adopted paradigm to be "Journey-ready" for retail demand; high-end sustainability-minded retailers among probable early adopters.
- ◆ As a benefit to miners, adding Galaxy® derived information to source scan enables digital e-tenders of rough stones. Adopted by Alrosa, Lucara and Grib (smaller Russian producer) as well as Stargems, a leading rough secondary wholesaler in Dubai.



# e-Grading™ Revolution: Clarity and Color by Artificial Intelligence Technology



- ◆ Groundbreaking Artificial Intelligence (AI) - based Clarity technology provides automated, objective Clarity grading – a first for the diamond industry. More consistent than manual process, refines Clarity grading and enhances polished diamond sorting by manufacturers and sourcing by retailers. Similarly, AI-based Color evaluation technology provides automated, objective and more precise Color grading.
- ◆ The integration of these new technologies with in-process control and verification software enables polished diamonds grading on site at suppliers, wholesalers and major retailers – e-Grading™. The shift from manual grading in diamond labs to automated technology-based grading on-site significantly reduces time (hours vs. weeks) and eliminates indirect costs (e.g. shipping and insurance). Significantly reduces direct costs, as implemented with customers' own manpower (not gemmologists). In initial beta-testing in India.
- ◆ Business model for e-grading will be industry-standard per-carat charge (optionally packaged with light performance grading and Sarine Diamond Journey™ traceability). Should significantly expand the Group's recurring income and improve margins.  
***Addresses over US\$500M annual market of diamond grading. A successful rollout of e-Grading should result in gross margins similar to Galaxy® margins - ~80%.***
- ◆ Working with Tiffany & Co. and signed with NGTC\* to adapt to each's respective criteria.

● (\*) National Gemstone Testing Centre – China's largest gemmological laboratory



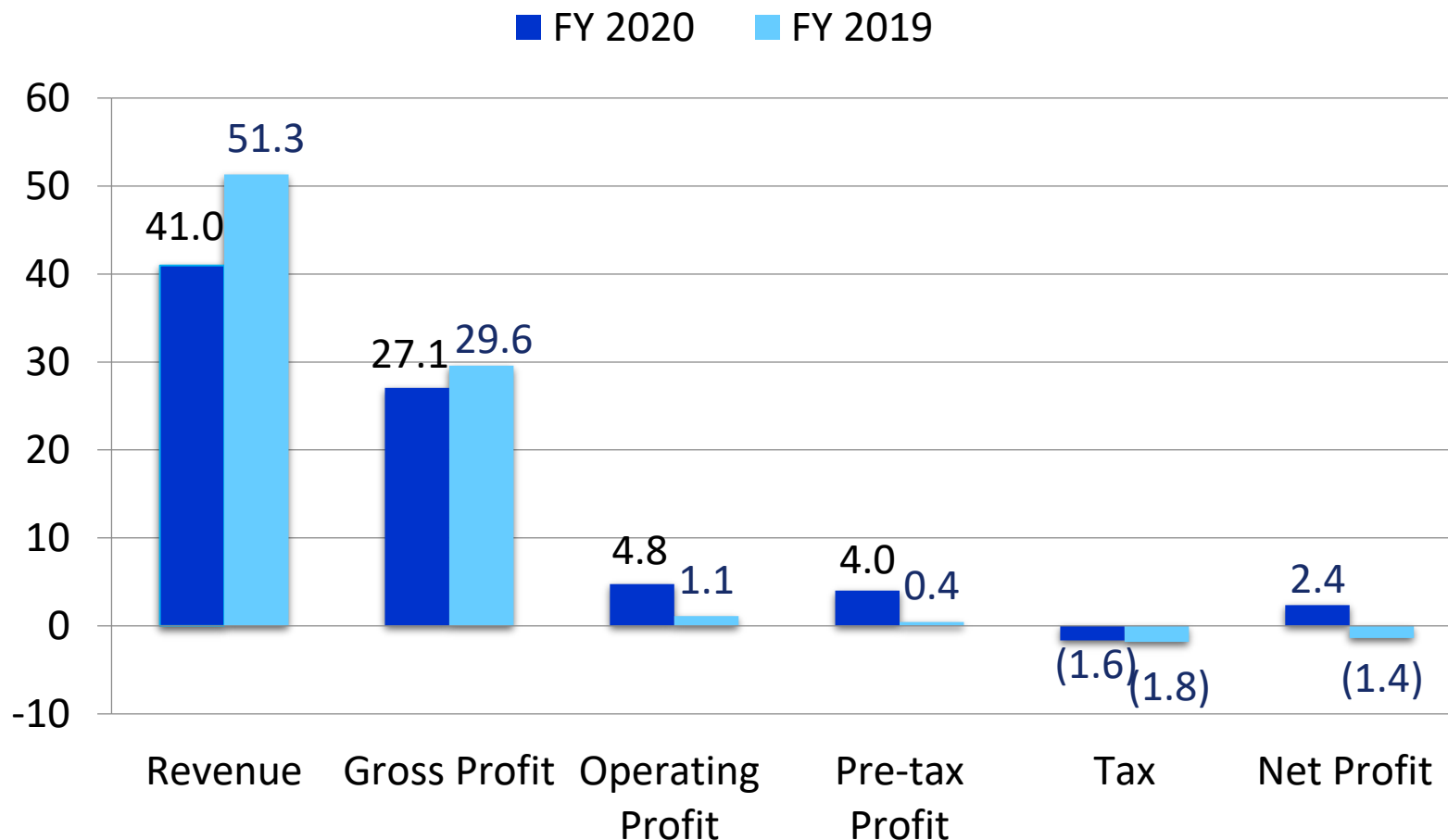
# Lab-Grown Diamonds



- ◆ Growing market acceptance of lab-grown diamonds (LGD) with ~50% of US retailers expected to be offering LGD in 2021.
- ◆ Shutdown of key Argyle mine, historically major producer of low-quality smaller diamonds, to contribute to expansion of LGD demand.
- ◆ Lab-grown diamonds are thus poised for rapid growth creating a new expanded market *concurrently* with and beyond today's US\$ ~70-80 billion natural diamond market.
- ◆ Have demonstrated applicability of our manufacturing technologies to LGD and already generating revenues from this evolving market segment. Probable opportunity to enter into technology-based processing-related service partnerships.
- ◆ Due to prohibitive direct and indirect costs of third-party lab grading for LGD goods, e-Grading™ evolving as natural alternative. Also addresses 21<sup>st</sup> century technology factor – “diamonds produced by technology - graded by technology”.



# FY 2020 Results Summary



% change	(20%)	(8%)	333%	813%	(9%)	NM
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# FY 2020 Results Highlights



- ◆ Covid-19 pandemic disrupted the diamond industry in FY2020:
  - ❖ Retail activity was curtailed in the Asia Pacific region from Jan 2020, followed by Europe and the United States for most of H1 2020
  - ❖ Lockdowns in India over four months from March 2020 stalled manufacturing
  - ❖ Sales of rough diamonds dropped by over 90% in H1 2020 due to lower demand for diamond jewellery, international travel restrictions and lockdown in India
- ◆ Group revenue declined 20% to US\$41 million yoy. Strong capital equipment sales, including Galaxy<sup>®</sup>-family inclusion mapping systems, and high recurring income in India before the March lockdown boosted Q1 2020 revenue. Year-end holiday season retail upturn drove robust midstream recovery in Q4 2020.
- ◆ Total recurring revenues accounted for about 50% of FY2020 revenue and overall rough and polished diamond wholesale and retail-related revenues made up 5.1% of annual revenue.
- ◆ Deliveries of 76 Galaxy<sup>®</sup> family inclusion mapping systems to customers in FY 2020, mostly for smaller stones, expanded total installed base to 631 as at 31 Dec 2020. About 60% of the Galaxy<sup>®</sup> systems were sold in FY2020 under the one-off paradigm.
- ◆ Due to aggressive cost cutting and change in product mix, the Group achieved a net profit of US\$2.4 million in FY2020, reversing the loss of US\$1.4 million recorded in the previous year.



# Strong Balance Sheet



(US\$ millions)	31 Dec 2020	31 Dec 2019
<b>Non-Current Assets</b>	<b>22.5</b>	<b>25.8</b>
- Property, plant & equipment	12.3	13.5
- Intangible assets	2.6	3.6
- Right-of-use assets*	5.1	6.2
<b>Current Assets</b>	<b>57.4</b>	<b>51.3</b>
- Inventories	6.2	5.5
- Trade receivables**	22.0	14.6
- Cash & bank deposits	27.6	29.5
<b>Non-current Liabilities</b>	<b>8.7</b>	<b>5.9</b>
- Long-term lease liabilities*	5.3	5.7
- Bank financing	3.1	-
<b>Current Liabilities</b>	<b>10.4</b>	<b>11.8</b>
- Trade payables	1.9	3.9
- Other payables	5.9	6.1
<b>Shareholders' Equity</b>	<b>60.7</b>	<b>59.4</b>

\* IFRS 16, Leases

\*\* There is an additional US\$ 0.8M in long-term trade receivables

# Going Forward



- ◆ Continued market domination of inclusion scanning and mapping, rough planning and related manufacturing products and services. 2021 will see launch of Advisor<sup>®</sup> 8.0 with enhanced features, widening technological gap with piracy.
- ◆ The Group remains confident in expanding its market penetration of the Galaxy<sup>®</sup> family of inclusion mapping systems to smaller and smaller stones, as evidenced by record setting 50 deliveries in Q1 of 2020, prior to pandemic, along with Q4 record setting usage.
- ◆ Due to Covid-19 obstacles, digital tenders opening doors for cooperation with key miners (Alrosa, Lucara, etc.) as well as with wholesale rough traders. Driving significant growth in Galaxy<sup>®</sup> per-stone revenues from high-end 10+ carat diamonds. Paradigm to likely remain after pandemic as it reduces costs, improves margins and enables nimbler supply chain. Key indirect benefit is enabling Sarine to establish critical anchors for traceability.
- ◆ Sarine Profile<sup>™</sup>, Sarine Diamond Journey<sup>™</sup>, light performance grading and AI-derived 4Cs e-Grading<sup>™</sup> address the wholesale and retail trade of polished diamonds – the segments of the diamond value chain with highest margins. ***Optimally, these combined offerings should capture double-digit share of US\$ 500M+ market with high ~80% gross margins.*** Currently still only less than 3% of revenues.
- ◆ Our manufacturing-related, grading and retail/branding technologies are all applicable to LGD. Already generating revenues. Being evaluated and adopted by additional key players in midstream and downstream segments of LGD pipeline.

