

# *Sarine Technologies Ltd.*

## *Corporate Presentation*

*November 2016*



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# Agenda

- ◆ **Company Overview**
- ◆ **Products Update**
- ◆ **Results Update**
- ◆ **Appendix - Industry Overview and Sarine's Competitive Positioning**



# Company Overview



# Sarine Technologies

Sarine Technologies, through its proprietary systems and technologies, is a global leader in the development and provider of solutions for the entire diamond value chain, from rough diamonds evaluation, planning, manufacturing and finishing to polished diamonds assessment, grading and trade



# Proven Track Record of Product Innovation

2008 & Prior      2009      thru 2012      2013      thru 2015

- DiaMension™
- DiaExpert™



- DiaMark™



- DiaScan™ S+



- DiaScribe™

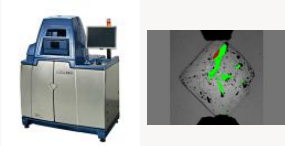


- Quazer™



- Colibri™

- Galaxy™



- DiaMension™ HD



- DiaMobile™ XL



- Instructor™



- Galaxy™ XL & Solaris™



- DiaExpert™



- Quazer™ II

- Strategist™



- DiaMark™ HD



- DiaExpert™ Atom



- DiaMension™ Axiom



- Quazer™ III

- Sarine Light™



- Sarine Loupe™



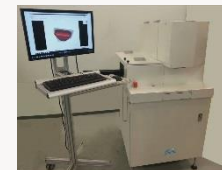
- Galaxy™ Ultra & Meteor™



- Sarine Profile™



- Allegro™



# Products Update

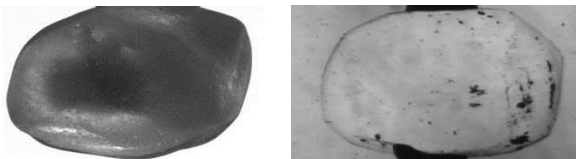


# Inclusion Mapping Technologies Before Galaxy™

Technology	Suppliers	Disadvantages
Manual Inclusion Charting	Sarine and others	<ul style="list-style-type: none"> <li>◆ Needs windows opened in stone</li> <li>◆ Done by expert personnel</li> <li>◆ Limited success on complicated inclusions</li> <li>◆ Limited to larger inclusion sizes</li> <li>◆ Very long (hours/days per stone) process</li> </ul>
X-Ray	Others	<ul style="list-style-type: none"> <li>◆ Expert personnel required - not all inclusions easily detected, often many “false positives”</li> <li>◆ Relatively long process (hour +)</li> <li>◆ High cost</li> </ul>

## Automated Inclusion Mapping Technology with Galaxy

*How opaque becomes transparent*



- ◆ No need to pre-process the rough diamond (no “windows”)
- ◆ Supports most types of stones (even thin mineral-coating)
- ◆ Automatic; little user-expertise required
- ◆ Identifies all types and sizes of inclusions
- ◆ Relatively fast operation (minutes)
- ◆ Cost-effective





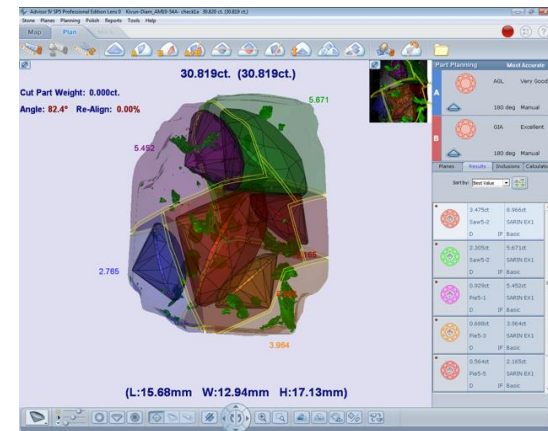
# Galaxy™ Family Rollout

- ◆ No competition for Group's automated inclusion mapping systems in the market
- ◆ Record 22 family systems delivered in Q3 2016; total installed base of Galaxy™ family of systems at 275 as at 30 September 2016
- ◆ Meteor™, system for rough stones of 20-85 points continues to draw significant interest (32 delivered to-date this year) as expands technology into next market stratum with annual potential of 50 million stones
- ◆ Galaxy™ Ultra gaining traction at expense of competition's mostly manual high-end M-Box

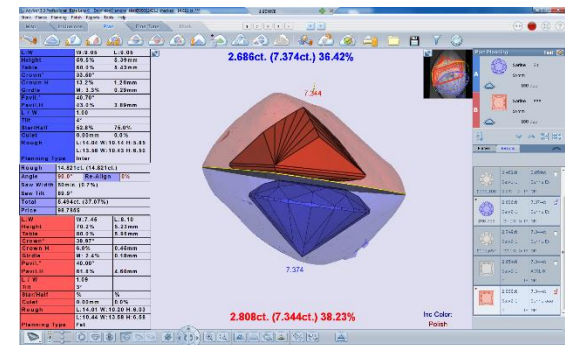


## Optimal Planning with Galaxy™ Inclusion Mapping

Note unique Strategist™ & Quazer™ III pie-cut sawing



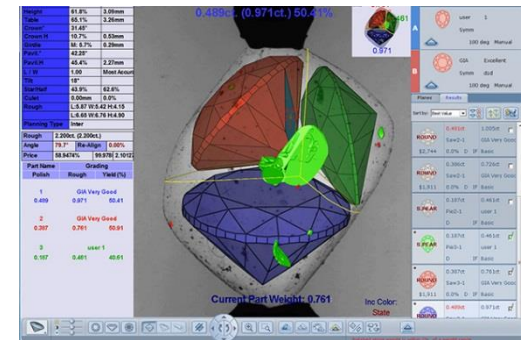
## Pre-inclusion Mapping State-of-the-Art



# Rough Planning / Advisor™

- ◆ Advisor™ is most widely used rough planning software - over 15,000 Advisor™ installations
- ◆ 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
- ◆ Full and unique integration with inclusion mapping drives adoption of Sarine's integrated solution and creates effective penetration barrier; also integrated with Quazer's™ sophisticated pie-cutting allowing even higher yield and value
- ◆ Currently being integrated with Sarine Light™ to offer even higher value beyond 4Cs optimisation, as demand for ultimate light performance grows

## Multiple Diamonds Planning



## Atom System (>1000 stones per day)



# DiaMension™ Axiom / Instructor™

## ◆ DiaMension™ Axiom

- ◆ Quantum leap in Cut proportion measurement and symmetry grading of polished diamonds
- ◆ Adopted by industry leaders (e.g., Tiffany) and by leading gemological labs (e.g., GIA and GSI)
- ◆ New Cut and Symmetry grading standards a new business opportunity

## ◆ The Instructor™ software product

- ◆ For the ongoing quality control of the actual polishing process as the polished diamond is faceted
- ◆ Unique capability of providing instructions on necessary corrective actions and/or possible asymmetric enhancements

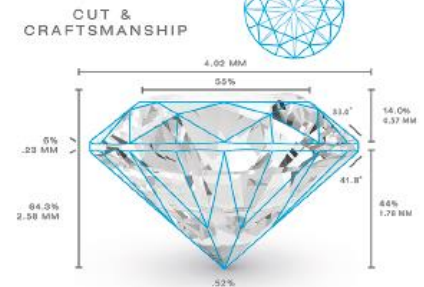


# Sarine Profile™

- ◆ Imaging technologies are gaining traction as an essential marketing tool in the polished diamond trade
- ◆ 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 with focus now on pilot programs in U.S. and Asia Pacific
- ◆ Adopted by leading diamond retailers - Japan's Cima (Exelco and Ginza Shiraishi), Grace Fujimi (Garden), Mariage, and Verite (Maharaja), China's Shining House, Hope, Kela and Meidie, Singapore's Soo Kee (Love & Co and SK Jewellery) and US's third largest wholesale distributor – GN
- ◆ Additional APAC and US retailers launching Q4



# Sarine Profile™



## YOUR DIAMOND STORY

ROUGH DIAMOND



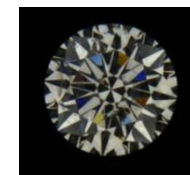
- ◆ With increasing demand for quality and branded diamonds, light performance parameters - brilliance, fire, scintillation/sparkle and symmetry, are becoming key consumer-oriented criteria
- ◆ 2013: Sarine Light™ light performance grading report launched in Japan with CIMA, a leading bridal diamond jewellery chain; CIMA confirms 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 retail customers in the US and Taiwan
- ◆ 2015: Integration of Sarine Light™, Sarine Loupe™ and displays of a polished diamond's Cut and Hearts & Arrows to create consumer-oriented “diamond story” – the Sarine Profile™
- ◆ Leading retailers, in APAC and US, adopting Sarine Light™; moving away from lesser competing products
- ◆ Development of new derivative functionality from Sarine Light™, polished diamond “fingerprinting”, completed proof-of-concept

## Perfect Stone

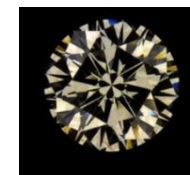
High Clarity, Colour and Cut grades



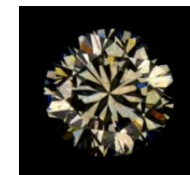
*Low Clarity*



*Low Colour*



*Low Cut*



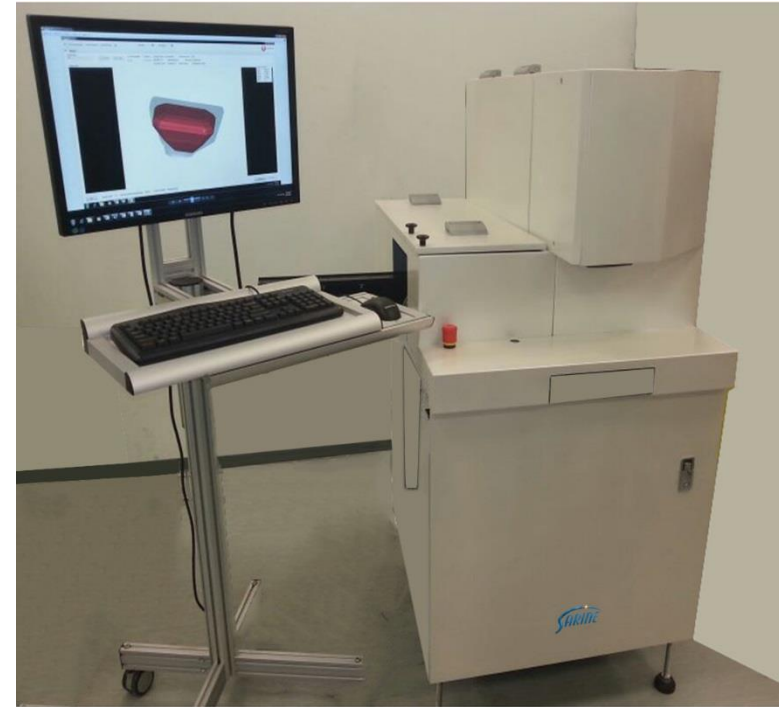
- ◆ A unique imaging and inspection system that captures a polished diamond, including its internal features, in simulated three dimensions
- ◆ Enables buyers to view the polished stone from a multitude of angles and at varying magnifications without having it in hand; simplifies the buying process of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

## Sarine Loupe™ Imagery of Included Stone



# Allegro™

- ◆ The Allegro™ system processes gemstones (excluding diamonds) and transforms the rough stone directly into a cut and shaped (unfinished) gem with high speed and accuracy
- ◆ New product addresses new market with proven Sarine technologies; market for gemstones independent of and larger in volume than that of diamonds (albeit lower dollar value)
- ◆ Allegro™ will be offered as an inexpensive per-stone service and will expand the recurring revenue base
- ◆ Initial service centres up and running in Jaipur, India, and Israel still in introductory mode; additional centres can be expected in additional geographies in 2017





# 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 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
- ◆ 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 Colour 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 recurrent income
- ◆ Both technologies undergoing large scale testing now, with commercialisation scheduled towards the middle of 2017



# Going Forward

- ◆ Given the immediate tangible benefits of Sarine's unique technology and the ongoing lack of substantial competition, the Group is confident of extending the market penetration of the Galaxy™ family of inclusion mapping systems
- ◆ Inclusion mapping systems market penetration enhances demand for Sarine's planning products and contributes to the consolidation of the Group's leading market share for manufacturing products
- ◆ New products such as Sarine Profile™, Sarine Light™, Sarine Loupe™ and similar services (as complementing bundles or standalone) as well as new offerings utilising Sarine's new Clarity and Colour grading technologies will address the wholesale and retail trade of polished diamonds – a significant new market for the Group with substantially larger potential for recurring revenue
- ◆ Gemstone processing product, Allegro™, addresses new market (non-diamond gemstones manufacturing) with potential to create additional recurrent income stream for the Group



# Growth Drivers for Recurring Revenue

## Catalysts to Future Growth

- ◆ Deliveries of additional Galaxy™ family systems for rough diamond inclusion scanning and mapping to customers
- ◆ Increased adoption and roll-out of new products and services based on digital trade solutions - Sarine Profile™, Sarine Light™ and Sarine Loupe™
- ◆ Increased market penetration for Allegro™ gemstones processing services
- ◆ New service offerings utilising Sarine's revolutionary Clarity technology and Colour grading technology

## Benefits to Sarine

- ◆ Expand Sarine's presence to the trade segment of the diamond industry as well as manufacturing market for other gemstones
- ◆ Broaden the Group's revenue base into polished diamond trade and non-diamond gemstones market
- ◆ Increase recurrent portion of Group's revenue stream



# Results Update



# Q3 and 9M 2016 Results Highlights

- ◆ The Group recorded revenue growth of 82% to US\$17.3m and net profit of US\$4.0m in Q3 2016 driven by positive macroeconomics :
  - Positive and renewed customer demand for polished diamonds in key markets
  - Robust supply of rough diamonds at economically viable prices
  - No inventory overhang
- ◆ Record deliveries of 22 Galaxy™ family systems, of which 21 to customers and one additional Galaxy™ Ultra to Indian service centre, total installed base grew to 275 as of 30 September 2016
- ◆ 9M 2016 revenue increased 49% to US\$53.6m, of which 40% is recurrent in nature; net profit surged 515% to US\$13.0m

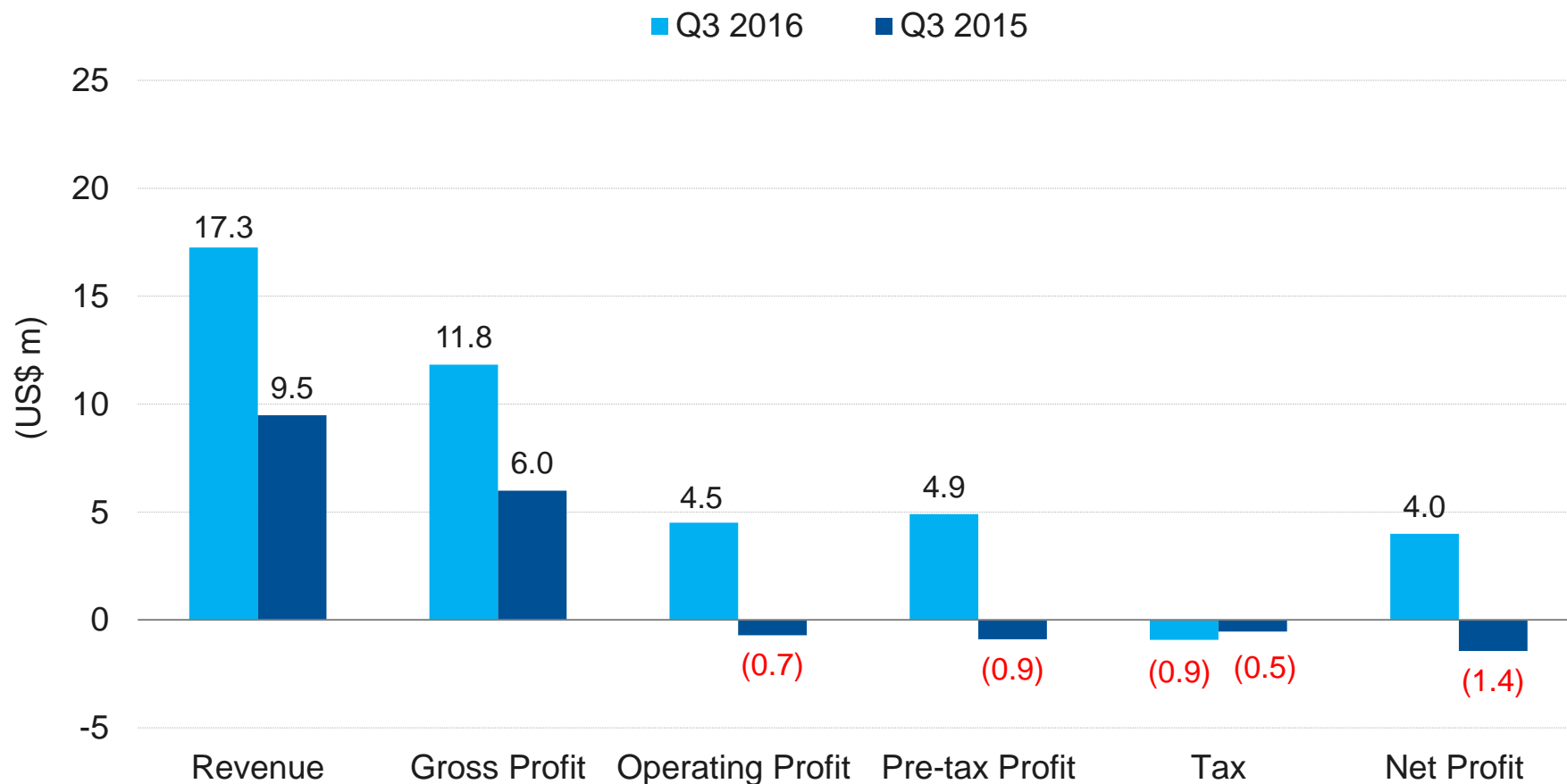


# Prospects

- ◆ Positive macroeconomics should continue to underpin healthy industry activity and, by extension, the Group's sales
- ◆ With deliveries of record 60 Galaxy™ family systems in 9M FY2016, the Group expects to expand substantially upon the previous annual record of 48 deliveries in 2014
- ◆ Sarine's breakthrough Clarity evaluation and grading technology, with its new advanced Colour classification technology, strengthens the Group's comprehensive offerings for polished diamonds
- ◆ New offerings with Clarity and Color grading capabilities will expand the Group's recurrent income
- ◆ Commercialisation of Clarity and Colour services scheduled towards the middle of 2017



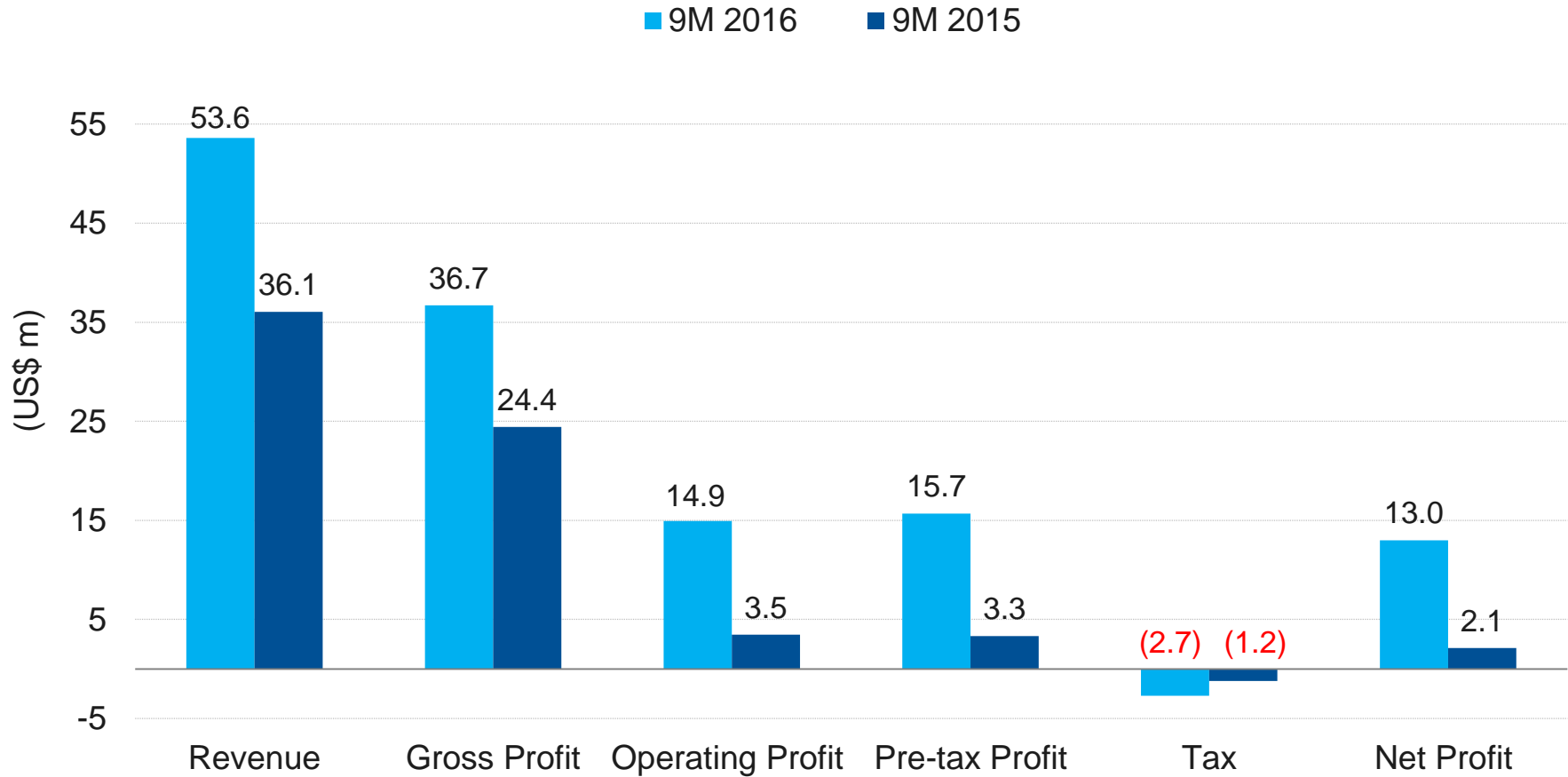
# Q3 2016 Results Summary



% change	Revenue	Gross Profit	Operating Profit	Pre-tax Profit	Tax	Net Profit
	+ 82%	+97%	NM	NM	+ 70%	NM



# 9M 2016 Results Summary



% change	+ 49%	+ 50%	+ 331%	+ 374%	+ 125%	+ 515%
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# Revenue Breakdown by Geography

Region	9M 2016 (US\$' 000)	9M 2015 (US\$' 000)	% Change	% Share (9M 2016)
India	41,840	25,399	+ 65%	78%
Africa	1,793	1,675	+ 7%	3%
Europe	1,865	1,882	(1%)	3%
N. America	1,335	1,110	+ 20%	3%
Israel	3,104	2,401	+ 29%	6%
Other	3,670	3,589	+ 2%	7%
<b>Total</b>	<b>53,607</b>	<b>36,056</b>	<b>+ 49%</b>	<b>100%</b>



# Strong Balance Sheet (debt free)

(US\$ millions)	30 Sep 2016	31 Dec 2015
<b>Non-Current Assets</b>	<b>25.0</b>	<b>23.4</b>
- Property, plant & equipment	14.0	12.4
- Intangible assets	7.8	7.8
<b>Current Assets</b>	<b>62.3</b>	<b>57.8</b>
- Inventories	9.1	10.1
- Trade receivables	14.6	11.3
- Cash & bank deposits	34.9	32.6
<b>Non-current Liabilities</b>	<b>0.1</b>	<b>0.2</b>
<b>Current Liabilities</b>	<b>12.9</b>	<b>9.5</b>
- Trade payables	4.7	9.0
- Other payables	7.7	6.6
<b>Shareholders' Equity</b>	<b>74.2</b>	<b>71.5</b>



# Dividend

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



# Appendix

## Industry Overview and Sarine's Competitive Positioning



# Diamond Industry Value Chain



Miners	De Beers concentrates ~ 40% of rough diamonds worldwide; Russia; Botswana; Australia; Canada; Zimbabwe; others
Manufacturers	India accounts for ~ 90% of all stones; Southern Africa (S. Africa, Botswana and Namibia) and China other manufacturing centres
Gemmological Laboratories	Strategic customers setting industry standards
Wholesalers	Belgium, Israel, USA, Hong Kong
Retailers	<ul style="list-style-type: none"> <li>• USA &gt; 40% of global retail diamond market</li> <li>• Hong Kong is second largest market (~25%)</li> <li>• Chains gaining in importance over shops</li> </ul>



# 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 2015



# Sarine's Value Proposition

## Challenges

- Increase industry players' sustainable profitability
- Satisfy consumer concerns on issues of quality and beauty

## Sarine's Solutions

- Maximise polished value yield from rough diamonds, while reducing risk and cutting costs
- Grade quality and beauty of polished diamonds according to 4Cs and light performance
  - Solutions to affirm and enhance marketing and branding

## Sarine's Expertise

Proprietary precision mechanics, optics, electronics, laser and colour technology with sophisticated software in computerised systems



# Competitors

Diamond Planning & Grading Products	Laser Sawing & Cutting Products
<p><b>OctoNus (Russia)</b> High-end rough planning and polished evaluation equipment-launched with Immersion Glass inclusion mapping system unsuccessfully; specialises in fancy coloured diamonds processing; teamed with Lexus in India for sales</p> <p><b>Sahajanand Technologies (Surat, India)</b> Former Sarine distributor in India- markets rough planners for low and medium range applications; no inclusion mapping system, though announced intent to launch in 2014</p> <p><b>Sahajanand Laser Technology (Ahmedabad, India)</b> Low-end rough planning equipment with minimal market presence; Nebula inclusion mapping system failed in market</p> <p><b>OGI Systems (Israel)</b> Price player with diminishing international presence; no inclusion mapping system, though announced intent to launch in 2014</p>	<p><b>Synova (Switzerland)</b> High-end, fast, safe green lasers; extremely expensive (\$600K - \$1M price tag)</p> <p><b>Soenen (Belgium)</b> Quazer copy; very low market presence</p> <p><b>Laxmi (India)</b> Low-cost/low-end green laser without shaping capabilities</p> <p><b>S.O.S. (India)</b> Mainstream infra-red (IR) laser supplier</p> <p><b>Sahajanand Technologies (India)</b> Low-end/low-cost IR laser; broadest presence</p> <p><b>Sahajanand Laser Technology (India)</b> Low-end/low-cost IR laser; wide presence</p> <p><b>OGI Systems (Israel)</b> Very limited market presence with a laser</p>
<p><b>Combined market share of competitors for diamond planning &amp; grading products is still smaller than Sarine's (&gt;70+%); Sarine's Quazer III accepted as most cost-effective high-end green laser solution with estimated 50% market share in that niche (still only 20% market)</b></p>	





# Thank You Q & A

