

MIRA INFORM REPORT

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| Report No. : | 535750 |
| Report Date : | 20.10.2018 |

IDENTIFICATION DETAILS

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|--------------------------------|--|
| Name : | SAHAR - ATID DIAMONDS LTD. |
| Registered Office : | P.O. Box 3005, 1 Jabotinski Street, Diamond Exchange, Maccabi Building Ramat Gan 5252001 |
| Country : | Israel |
| Date of Incorporation : | 24.05.2000 |
| Legal Form : | Private Limited Company |
| Line of Business : | Dealers, importers, exporters, polishers and marketers of diamonds, specializing in Rounds and Fancies, predominately straight-edged, 30 pointers and larger, in all colors, medium and better qualities from 0.18 up to 15+ carats. |
| No. of Employees : | 5 (2016) |

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

| | |
|------------------------|---|
| MIRA's Rating : | B |
|------------------------|---|

| Credit Rating | Explanation | Rating Comments |
|---------------|-------------|---|
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |

| | |
|----------------------------|----------|
| Status : | Moderate |
| Payment Behaviour : | Unknown |
| Litigation : | Clear |

NOTES:

Any query related to this report can be made on e-mail: infodept@mirainform.com while quoting report number, name and date.

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ECGC Country Risk Classification List

| Country Name | Previous Rating (30.06.2018) | Current Rating (30.09.2018) |
|--------------|---------------------------------|--------------------------------|
| Israel | B1 | B1 |

| Risk Category | ECGC Classification |
|----------------------|---------------------|
| Insignificant | A1 |
| Low Risk | A2 |
| Moderately Low Risk | B1 |
| Moderate Risk | B2 |
| Moderately High Risk | C1 |
| High Risk | C2 |
| Very High Risk | D |

ISRAEL - ECONOMIC OVERVIEW

Israel has a technologically advanced free market economy. Cut diamonds, high-technology equipment, and pharmaceuticals are among its leading exports. Its major imports include crude oil, grains, raw materials, and military equipment. Israel usually posts sizable trade deficits, which are offset by tourism and other service exports, as well as significant foreign investment inflows.

Between 2004 and 2013, growth averaged nearly 5% per year, led by exports. The global financial crisis of 2008-09 spurred a brief recession in Israel, but the country entered the crisis with solid fundamentals, following years of prudent fiscal policy and a resilient banking sector. Israel's economy also weathered the 2011 Arab Spring because strong trade ties outside the Middle East insulated the economy from spillover effects.

Slowing domestic and international demand and decreased investment resulting from Israel's uncertain security situation reduced GDP growth to an average of roughly 2.8% per year during the period 2014-17. Natural gas fields discovered off Israel's coast since 2009 have brightened Israel's energy security outlook. The Tamar and Leviathan fields were some of the world's largest offshore natural gas finds in the last decade. Political and regulatory issues have delayed the development of the massive Leviathan field, but production from Tamar provided a 0.8% boost to Israel's GDP in 2013 and a 0.3% boost in 2014. One of the most carbon intense OECD countries, Israel generates about 57% of its power from coal and only 2.6% from renewable sources.

Income inequality and high housing and commodity prices continue to be a concern for many Israelis. Israel's income inequality and poverty rates are among the highest of OECD countries, and there is a broad perception among the public that a small number of "tycoons" have a cartel-like grip over the major parts of the economy. Government officials have called for reforms to boost the housing supply and to increase competition in the banking sector to address these public grievances. Despite calls for reforms, the restricted housing supply continues to impact younger Israelis seeking to purchase homes. Tariffs and non-tariff barriers, coupled with guaranteed prices and customs tariffs for farmers kept food prices high in 2016. Private consumption is expected to drive growth through 2018, with consumers benefitting from low inflation and a strong currency.

In the long term, Israel faces structural issues including low labor participation rates for its fastest growing social segments - the ultraorthodox and Arab-Israeli communities. Also, Israel's progressive, globally competitive, knowledge-based technology sector employs only about 8% of the workforce, with the rest mostly employed in manufacturing and services - sectors which face downward wage pressures from global competition. Expenditures on educational institutions remain low compared to most other OECD countries with similar GDP per capita.

Source : CIA

COMPANY NAME AND ADDRESS

SAHAR - ATID DIAMONDS LTD.

Telephone 972 3 575 75 00
Fax 972 3 575 73 00
Email: sa@saharatid.com
P.O. Box 3005
1 Jabotinski Street
Diamond Exchange, Maccabi Building
RAMAT GAN 5252001 ISRAEL

HISTORY & LEGAL FORMATION

A private limited company, incorporated as per file No. 51-295800-0 on the 24.05.2000.

SHARE CAPITAL

Authorized share capital of NIS 39,100.00 divided into:-
39,100 ordinary shares of NIS 1.00 each, of which 1,000 shares amounting to NIS 1,000.00 were issued.

SHAREHOLDERS

1. ATID DIAMONDS (1991) LTD., 50%, fully owned by Mordechai Abo,
2. SAHAR DIAMONDS LTD., 50%, fully owned by Yair Sahar.

DIRECTORS

1. Mordechai (Moti) Abo, Joint General Manager,
2. Yair Sahar, Joint General Manager.

BUSINESS

Dealers, importers, exporters, polishers and marketers diamonds, specializing in Rounds and Fancies, predominately straight-edged, 30 pointers and larger, in all colors, medium and better qualities from 0.18 up to 15+ carats.

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Among diamond suppliers: HARRY WINSTON.

Operating from owned premises, 1 Jabotinski Street, Diamond Exchange, Maccabi Building (14th Floor, Suite 1442-6), Ramat Gan. Also operating a plant in Russia, and representative offices in New York and Hong Kong.
Website: www.saharatid.com

Having 5 employees, as of 2016 (current exact number unavailable, we believe similar, 6 employees based on our findings).

MEANS

Financial data not forthcoming, known to be financially solid.

Subject is a Diamond Trading Company (DCT) Sightholder from DE BEERS.

There are 7 charges for unlimited amounts registered on the company's assets (financial assets and fixed assets) in favor of Union Bank of Israel Ltd. (last 2 charges placed in 2014).

REVENUES

Sales for export (net) of polished diamonds as published by the Supervisor on Diamonds in the Israeli Ministry of Industry & Trade:

2009 sales for export (net) were US\$ 64,000,000.

2010 sales for export (net) were US\$ 70,584,000.

Later sales data not forthcoming.

OTHER COMPANIES

ATID DIAMONDS (1991) LTD., a holding company.

SAHAR DIAMONDS LTD., a holding company.

SAHAR ATID DIAMOND MANUFACTURERS 2004 LTD.

SAHAR ATID REAL ESTATE LTD.

Y. SAHAR DIAMONDS (2015) LTD.

KEOLA LTD.

Subject's shareholders are also involved in other real estate companies.

BANKERS

Union Bank of Israel Ltd., Ramat Gan Branch (No. 62), Ramat Gan.
Mizrahi Tefahot Bank Ltd., Diamond Business Center Branch (No. 466), Ramat Gan.

CHARACTER AND REPUTATION

Nothing unfavorable learned.

Subject's co-General Manager, Mr. Moti Abo, refused to update any business data.

Subject is well-known in the diamond industry. In January 2010 subject was awarded as "Excelling Exporter". Subject's General Managers Yair Sahar and Moti Abo, are veterans in the diamond field, starting in the early 1980's and joining forces in subject in year 2000.

Yair Sahar served as President of the Israeli Diamond Exchange (IDE) between July 2011-July 2013, and he was awarded IDE Honorary President in December 2015.

According to the report published by the Israel Supervisor on Diamonds in the Ministry of Industry and Trade, subject was ranked 8th in the 2010 list of Israel's 25 largest polished diamonds exporters, and 7th in the 2009 list. Subject does not appear in later published lists, however it should be noted that some companies choose to remain confidential and not be included for their own motives.

Export (net) of polished diamonds from Israel in 2017 totaled US\$ 4,478 million, some 4% lower than in 2016 and 2015 (US\$ 4,675 million and US\$ 4,996 million, respectively), and well below 2014 (US\$ 6,269 million) and from its peak on the eve of the crisis in the branch, with export of polished diamonds of US\$ 7 billion.

The diamonds market has been volatile over the last years after experiencing its worst depression due to the global economic crisis, then recovered in 2010 but fell again in 2012. According to Israel's Diamond Administration (IDA) at the Ministry of Economics, profit margins have been decreasing due to smaller gaps between rough (increasing) and polished (decreasing) diamond prices.

In addition, the local diamond sector has been negatively affected by other significant factors: the production of counterfeit diamonds, whose quality keeps improving (harming the raw diamonds market), the entrance of new rules by the local Tax Authorities on the Diamond Exchange for enforcing money laundering, and the "underground bank" affair – as below.

As a result, local diamond dealers report on difficulties in executing transactions and bad atmosphere in the branch. Signs of recovery appeared towards the last quarter of 2016 – mainly due to the growing stability of the market and the industry's agreement with the Israel Tax Authority in December, yet the market is still volatile, as witnessed with the endurance of the depression trend during most of 2017.

Export (net) of rough diamonds fell 10.4% in the first 9 months of 2017 (compared to the parallel period in 2016), reaching US\$ 1,796 million (summed up to US\$ 2,702 million in all 2016, 23% higher than 2015).

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Net imports of polished diamonds in 2017 totaled US\$ 2,700 million, compared to US\$ 3,282 million in 2016.

Net import of rough diamonds summed at US\$ 3,246 million in 2016, up 16.7% from 2015, and reached US\$ 2,089 million in the first 9 months of 2017, down 11.6% compared to 2016.

The United States continued to be Israel's major market for polished diamonds, accounting for 45% of the market in the first 9 months 2017 (was 39% in 2016). Hong Kong is 2nd largest market with 30% of exports (26% in 2016), followed by Switzerland 9% (7%), Belgium 8% (8%), and the rest of the world account for the remaining 8% of Israel's polished diamond export.

An affair of an "underground bank" (known as the "Check List" Affair) shocked the local diamond branch, after in late January 2012 Police raided the Diamond Exchange (after a long undercover operation), arrested several individuals for investigation, caught diamonds and various assets worth NIS millions, and blocked several bank accounts. It is suspected that a group of people, including diamond dealers, run an illegal bank in the Diamond Exchange compound for loans, money transfer abroad based on fictitious transactions and exchange in volume of NIS 1 billion for several years.

The affair led to several of reported bankruptcies of local diamond firms, a decrease of up to 70% in transactions in 2012, and for a while to paralysis (especially in raw diamonds purchase) due to uncertainty among local and foreign dealers. Later in 2012 the Police decided to lower the profile of the investigation for a while (pressure from the diamond branch due to the continuing damage inflicted and the Government (losing US\$ hundred millions from decrease in tax collection), but resumed investigation in 2013.

In mid-2014, based on the Police and Tax Authorities recommendations, the State Attorney started the process of filing indictments against central defendants in the affair, initially against dealers who provided foreign currency services to the "bank" (in June 2015 the court made the first conviction in the affair, sending a foreign currency dealer who pretended also to be a diamond dealer, for 4 years prison, a fine and confiscation of assets in volume of NIS millions, part of a plea bargain). Since late 2015 indictments for severe charges pressed against 11 diamond dealers and their firms for tax felonies committed and issuing fictitious invoices in volumes of millions US\$ (latest indictments filed by the Tel Aviv District Attorney in August 2016). In the case of one of the prosecuted, a plea bargain was reached in May 2018 (fines and serving community services). Other cases are pending.

SUMMARY

Notwithstanding the refusal to update data.

FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 73.44 |
| UK Pound | 1 | INR 95.65 |
| Euro | 1 | INR 84.17 |
| ILS | 1 | INR 20.09 |

Note: Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

| | |
|----------------------|-----|
| Analysis Done by : | VAR |
| Report Prepared by : | KET |

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RATING EXPLANATIONS

| Credit Rating | Explanation | Rating Comments |
|---------------|------------------|--|
| A++ | Minimum Risk | Business dealings permissible with minimum risk of default |
| A+ | Low Risk | Business dealings permissible with low risk of default |
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |
| C | Medium High Risk | Business dealings permissible preferably on secured basis |
| D | High Risk | Business dealing not recommended or on secured terms only |
| NB | New Business | No recommendation can be done due to business in infancy stage |
| NT | No Trace | No recommendation can be done as the business is not traceable |

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)