Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

PART 1 INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statements of Comprehensive Income for the (US$'000):

	Group Quarter ended December 31,			Group Year ended December 31,		
	2012	2011	Change %	2012	2011	Change %
Revenue	**14,193**	**14,066**	**0.9**	**63,750**	**57,803**	**10.3**
Cost of sales	4,735	4,049	16.9	20,362	19,522	4.3
Gross profit	**9,458**	**10,017**	**(5.6)**	**43,388**	**38,281**	**13.3**
Research and development expenses	1,731	1,565	10.6	6,180	5,771	7.1
Sales and marketing expenses	2,421	1,722	40.6	8,788	7,401	18.7
General and administrative expenses	1,014	1,096	(7.5)	3,961	3,853	2.8
Profit from operations	**4,292**	**5,634**	**(23.8)**	**24,459**	**21,256**	**15.1**
Net finance income	55	110	(50.0)	61	178	(65.7)
Profit before income tax	**4,347**	**5,744**	**(24.3)**	**24,520**	**21,434**	**14.4**
Income tax expense	522	942	(44.6)	3,765	4,068	(7.4)
Profit for the period	**3,825**	**4,802**	**(20.3)**	**20,755**	**17,366**	**19.5**
Other comprehensive expense						
Foreign currency translation differences from foreign operations	(172)	(163)	5.5	(326)	(334)	(2.4)
Total comprehensive income for the period	**3,653**	**4,639**	**(21.3)**	**20,429**	**17,032**	**19.9**

Notes to consolidated statements of comprehensive income (US$'000)

Profit before income tax is stated after charging the following:

	Group Quarter ended December 31,			Group Year ended December 31,		
	2012	2011	Change %	2012	2011	Change %
Allowance for doubtful trade receivables	24	19	26.3	25	76	(67.1)
Depreciation and amortization	912	789	15.6	3,509	3,246	8.1
Interest income, net	24	102	(76.5)	75	261	(71.3)
Exchange rate differences	31	8	287.5	(14)	(83)	(83.1)
Warranty provision	24	50	(52.0)	34	134	(74.6)

NM- Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position as at (US$'000):

	Group		Company	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Assets				
Property, plant and equipment	5,482	2,903	1,078	1,715
Intangible assets	9,208	9,521	--	--
Investment in equity accounted investee and subsidiaries	--	--	9,975	14,524
Deferred tax assets	659	443	324	73
Total non-current assets	15,349	12,867	11,377	16,312
Inventories	6,832	6,264	4,940	5,022
Trade receivables	7,366	6,683	2,061	2,338
Other receivables	1,474	1,338	665	1,009
Restricted cash	485	485	485	485
Short-term investments (bank deposits)	17,147	19,105	12,244	14,167
Cash and cash equivalents	19,155	14,356	14,549	9,163
Total current assets	52,459	48,231	34,944	32,184
Total assets	67,808	61,098	46,321	48,496
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(1,113)	(891)	(1,113)	(891)
Share premium, reserves and retained earnings	57,251	49,094	39,563	40,822
Total equity	56,138	48,203	38,450	39,931
Liabilities				
Long-term liabilities	369	652	369	278
Employee benefits	187	155	165	137
Total non-current liabilities	556	807	534	415
Trade payables	2,016	2,657	1,395	1,507
Other payables	7,469	6,977	4,638	5,385
Current tax payable	1,222	2,081	1,069	1,031
Warranty provision	407	373	235	227
Total current liabilities	11,114	12,088	7,337	8,150
Total liabilities	11,670	12,895	7,871	8,565
Total equity and liabilities	67,808	61,098	46,321	48,496

*No par value

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.
Zero borrowings from banks.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Cash Flows (US$'000):

	Group Year ended December 31, 2012	2011
Cash flows from operating activities		
Profit for the period	20,755	17,366
Adjustments for:		
Share-based payment expenses	915	541
Income tax expense	3,765	4,068
Depreciation of property, plant and equipment	1,457	1,172
Amortization of intangible assets	2,052	2,074
Net finance income	(61)	(178)
Changes in working capital		
Inventories	(568)	(1,413)
Trade receivables	(683)	(3,543)
Other receivables	(136)	(377)
Trade payables	(641)	81
Other short- and long-term liabilities	1,171	1,073
Employee benefits	32	(31)
Cash generated from operations	28,058	20,833
Income tax paid	(4,840)	(3,730)
Net cash from operating activities	23,218	17,103
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(4,210)	(1,535)
Acquisition of intellectual property	(346)	(621)
Restricted cash	--	(485)
Short-term investments, net	1,958	(13,692)
Capitalization of R&D expenses	(1,535)	(840)
Interest received	451	615
Net cash used in investing activities	(3,682)	(16,558)
Cash flows used in financing activities		
Proceeds from exercise of share options	503	658
Repayments of long-term liabilities	(938)	(354)
Purchase of Company's shares by the Company	(222)	(838)
Dividend paid	(13,690)	(8,075)
Interest paid	(376)	(354)
Net cash used in financing activities	(14,723)	(8,963)
Net increase (decrease) in cash and cash equivalents	4,813	(8,418)
Cash and cash equivalents at beginning of the period	14,356	22,857
Exchange rate differences	(14)	(83)
Cash and cash equivalents at end of the period	19,155	14,356
Non cash activities:		
Acquisition of intellectual property on credit	--	346

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Shareholders' Equity

Group (US$'000)

	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
Balance at January 1, 2011	--	14,541	27	24,370	(53)	38,885
Total comprehensive income for the year ended December 31, 2011	--	--	--	17,366	--	17,366
Other comprehensive income for the year ended December 31, 2011	--	--	(334)	--	--	(334)
Share-based payment expenses	--	541	--	--	--	541
Exercise of options	--	658	--	--	--	658
Dividend paid	--	--	--	(8,075)	--	(8,075)
Dormant shares, at cost	--	--	--	--	(838)	(838)
Balance at December 31, 2011	--	15,740	(307)	33,661	(891)	48,203
Balance at January 1, 2012	--	15,740	(307)	33,661	(891)	48,203
Profit for the year ended December 31, 2012	--	--	--	20,755	--	20,755
Other comprehensive income for the Year ended December 31, 2012	--	--	(326)	--	--	(326)
Share-based payment expenses	--	915	--	--	--	915
Exercise of options	--	503	--	--	--	503
Dividend paid	--	--	--	(13,690)	--	(13,690)
Dormant shares, at cost (300,000 shares)	--	--	--	--	(222)	(222)
Balance at December 31, 2012	--	17,158	(633)	40,726	(1,113)	56,138

* No par value

Statement of Changes in Shareholders' Equity

Company (US$'000)

	Share capital*	Share premium and reserves	Translation reserve	Retained earnings	Dormant shares	Total
Balance at January 1, 2011	--	14,541	27	23,982	(53)	38,497
Total comprehensive income for the year ended December 31, 2011	--	--	--	9,482	--	9,482
Other comprehensive income for the year ended December 31, 2011	--	--	(334)	--	--	(334)
Share-based payment expenses	--	541	--	--	--	541
Exercise of options	--	658	--	--	--	658
Dividend paid	--	--	--	(8,705)	--	(8,075)
Dormant shares, at cost	--	--	--	--	(838)	(838)
Balance at December 31, 2011	--	15,740	(307)	25,389	(891)	39,931
Balance at January 1, 2012	--	15,740	(307)	25,389	(891)	39,931
Profit for the year ended December 31, 2012	--	--	--	11,339	--	11,339
Other comprehensive income for the Year ended December 31, 2012	--	--	(326)	--	--	(326)
Share-based payment expenses	--	915	--	--	--	915
Exercise of options	--	503	--	--	--	503
Dividend paid	--	--	--	(13,690)	--	(13,690)
Dormant shares, at cost (300,000 shares)	--	--	--	--	(222)	(222)
Balance at December 31, 2012	--	17,158	(633)	23,038	(1,113)	38,450

* No par value

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	December, 2012	September 30, 2012	*December, 2011**	December, 2011
	No. of shares	No. of shares	*No. of shares**	No. of shares
Authorized:				
Ordinary shares of no par value	2,000,000,000	2,000,000,000	*2,000,000,000*	2,000,000,000
Issued and fully paid:				
Ordinary shares of no par value	340,560,255	340,524,390	*338,680,450*	270,944,360
Dormant shares (out of the issued and fully paid share capital):				
Ordinary shares of no par value	2,411,250	2,411,250	*2,111,250*	1,689,000
Total number of issued shares (excluding dormant shares)	338,149,005	338,113,140	*336,569,200*	269,255,360

** The column above is presented on a proforma basis adjusted for the the May 2012 bonus issue.*

On May 6, 2012, the Company proposed a bonus issue to shareholders on the basis of one bonus share for every four existing ordinary shares in the capital of the Company, which was approved by the SGX-ST on May 14, 2012. On May 28, 2012, 67,972,527 bonus shares were allotted and issued pursuant to the bonus share issue, including 422,250 bonus shares allotted and issued in respect of the 1,689,000 treasury shares then held by the Company.

For the quarter ended December 31, 2012, a total of 35,865 employee share options were exercised into ordinary shares. For the three months December 31, 2012, the Company did not purchase any ordinary shares.

In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as they are held by the Company, and as such they do not bear any rights until they are transferred to a third party. The issued and fully paid shares include the dormant shares.

Details of changes in share options:

	Average exercise price in US$ cents per share	Options
At January 1,2012	25.3	10,895,785
Granted	42.0	2,812,500
Cancelled	25.8	(290,629)
Exercised	26.8	(1,879,814)
At December 31, 2012	30.7	11,537,842

On August 8, 2012, the Company amended the 2005 Share Option Plan to allow proportionate adjustments to be made to the exercise price and number of Options or Option Shares as a result of a bonus issue, such that, irrespective of any past or future bonus issue, each option outstanding under the Company's 2005 Share Option Plan would be exercisable into 1.00 ordinary shares (and the exercise price of options shall be adjusted in case of bonus issue). The table above is presented on the basis of that amendment and following the May 2012 bonus issue.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at December 31, 2012, the total number of issued shares excluding treasury shares was 338,149,005 (as at December 31, 2011: 269,255,360).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

For the year ended December 31, 2012, the Company purchased 300,000 of its ordinary shares (none in Q4 2012), and there was no sale, transfer, disposal, cancellation and/or use of treasury shares by the Company.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended December 31, 2011 have been applied in the preparation for the financial statements for the year ended December 31, 2012.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	For the quarter ended December 31,		For the year ended December 31,	
	2012	2011	2012	2011
Basic earnings per share (US cents)	1.13	1.42	6.15	5.18
Diluted earnings per share (US cents)	1.11	1.42	6.03	5.12

Basic earnings per share for the three months ended December 31, 2012 are calculated based on the weighted average number of 338,120,547 ordinary shares issued during the current period and the equivalent of 336,679,835 ordinary shares (adjusted for bonus issue) during the preceding period.

Diluted earnings per share for the three months ended December 31, 2012 are calculated based on weighted average number of 344,244,385 ordinary shares and outstanding options and the equivalent of 338,840,090 ordinary shares (adjusted for bonus issue) during the preceding period.

Basic earnings per share for the year ended December 31, 2012 are calculated based on the weighted average number of 337,666,655 ordinary shares issued during the current period and the equivalent of 335,676,010 ordinary shares (adjusted for bonus issue) during the preceding period.

Diluted earnings per share for the year ended December 31, 2012 are calculated based on weighted average number of 344,283,879 ordinary shares and outstanding options and the equivalent of 339,324,154 ordinary shares (adjusted for bonus issue) during the preceding period.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:**
   (a) current financial period reported on; and
   (b) immediately preceding financial year.

	Group		Company	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Net asset value (US$ thousands)	56,138	48,203	38,450	39,931
Net asset value per ordinary share (US cents)	16.60	17.90	11.37	14.83

At December 31, 2012, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2012 of 340,560,255 less the number of dormant ordinary shares at December 31, 2012 of 2,411,250. The figures at December 31, 2012, reflect the issue of the bonus shares in May 2012 (see 1(d)(ii) above).

At December 31, 2011, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2011 of 270,944,360 less the number of dormant ordinary shares at December 31, 2011 of 1,689,000.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
   (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
   (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Overview

For the year ended December 31, 2012, the Group reported record revenues of US$ 63.8 million, record profit from operations of US$ 24.5 million and record net profit of US$ 20.8 million, as compared to revenues of US$ 57.8 million, profit from operations of US$ 21.3 million and net profit of US$ 17.4 million for the year ended December 31, 2011. These record results were achieved despite a significant decline in industry activity during the months from June through September, during which manufacturing and trading activities dropped by some 40% in India and up to 20% in other industry centres, such as Belgium and Israel, a drop which significantly impaired the Group's results for Q3 2012. The Group's record results for the year stemmed from accelerated Galaxy™-related penetration and usage in 2012, overall positive business sentiment that existed through May 2012 and the upturn in sentiment in India and elsewhere in Q4.

On a sequential basis and fuelled by the return to profitable manufacturing activity in Q4, subsequent to the reduction in rough diamond prices and stabilisation of polished stone prices, the Group reported record fourth quarter revenues of US$ 14.2 million and net profit of US$ 3.8 million, as compared to revenues of US$ 11.7 million and net profit of US$ 2.5 million reported in the impaired third quarter.

On a year-over-year basis, Group revenue increased modestly to US$ 14.2 million in Q4 2012 as compared to the US$ 14.1 million reported in Q4 2011. Net profit of US$ 3.8 million in Q4 2012 declined as compared to the US$ 4.8 million reported in Q4 2011, primarily due to a lower gross margin associated with the composition of products sold, increased business development expenses associated with new polished diamond products like the Sarine Light™ and Sarine Loupe™, as well as increased third party commissions.

Galaxy™ penetration continues to grow, with deliveries in Q4 2012 of seven Galaxy™ family systems to customers and one Galaxy™ XL to the service centre in South Africa. As of December 31, 2012, the Group has an installed base of just over 95 Galaxy™ family systems. Group recurring revenue (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) constituted over 25% of overall revenues for the year ended December 31, 2012.

Balance Sheet Highlights

As at December 31, 2012, cash and cash equivalents, restricted cash and short-term investments (bank deposits) decreased to US$ 36.8 million from the US$ 38.0 million reported as of September 30, 2012 following the payment of a US$ 6.8 million additional interim dividend paid on December 27, 2012. For the year ended December 31, 2012, cash and cash equivalents, restricted cash and short-term investments (bank deposits) increased to US$ 36.8 million from the US$ 33.9 million reported as of December 31, 2011, following the Group's strong operating results in 2012 and after the payment of US$ 13.7 million in dividends (including the final dividend for fiscal year 2011 of US$ 2.7 million paid on May 26, 2012), and after the Group's purchase of land measuring approximately 2,400 square meters in Surat, India, for approximately US$ 2.1 million (on which it plans to build an integrated facility for its service centres, customer service, technical support and training, and other logistics infrastructure).

Trade receivables decreased to US$ 7.4 million as at December 31, 2012 from US$ 7.9 million, as at September 30, 2012 (US$ 6.7 million, at 2011 year end). As at December 31, 2012, inventories decreased to US$ 6.8 million as compared to US$ 7.8 million at September 30, 2012 (US$ 6.3 million, at 2011 year end). The increase in inventories in 2012 compared to year-end 2011 is related to procurement of long-lead time parts for the Group's production needs.

Revenues

Revenue by geographic segments --
Year ended December 31, 2012 and 2011, Q4 2012, Q3 2012, Q4 2011, (US$ '000)

2012 versus 2011				
Region	**2012**	**2011**	**$ change**	**% change**
India	48,789	44,976	3,813	8.5
Africa	4,871	4,400	471	10.7
Europe	1,661	1,804	(143)	(7.9)
North America	1,102	1,052	50	4.8
Israel	3,150	2,487	663	26.7
Other	4,177	3,084	1,093	35.4
Total	63,750	57,803	5,947	10.3

Q4 2012 versus Q3 2012				
Region	**Q4 2012**	**Q3 2012**	**$ change**	**% change**
India	10,631	7,484	3,147	42.0
Africa	864	1,644	(780)	(47.4)
Europe	435	473	(38)	(8.0)
North America	188	182	6	3.3
Israel	985	758	227	29.9
Other	1,090	1,179	(89)	(7.5)
Total	14,193	11,720	2,473	21.1

Q4 2012 versus Q4 2011				
Region	**Q4 2012**	**Q4 2011**	**$ change**	**% change**
India	10,631	11,002	(371)	(3.4)
Africa	864	742	122	16.4
Europe	435	456	(21)	(4.6)
North America	188	256	(68)	(26.6)
Israel	985	768	217	28.3
Other	1,090	842	248	29.5
Total	14,193	14,066	127	0.9

For the year ended December 31, 2012, the Group reported record revenues of US$ 63.8 million as compared to US$ 57.8 million for the year ended December 31, 2011, an increase of 10%. For the year ended December 31, 2012, Group revenue increased in virtually all geographic segments as compared to December 31, 2011.

On a sequential basis, the Group reported revenues of US$ 14.2 in Q4 2012 as compared to US$ 11.7 million in Q3 2012, an increase of 21%, and, on a year over year basis, the Group reported an insignificant increase in Q4 2012 revenues – US$ 14.2 million as compared to US$ 14.1 million in Q4 2011.

Cost of sales and gross profit

Cost of sales for the year ended December 31, 2012 increased by 4% to US$ 20.4 million as compared to US$ 19.5 million for the year ended December 31, 2011, with gross profit margins of 68% in 2012 versus 66% in 2011. On a sequential basis, cost of sales for Q4 2012 increased by 10% to US$ 4.7 million as compared to US$ 4.3 million for Q3 2012, with gross profit margins of 67% in Q4 2012 versus 63% in Q3 2012. The increase in the cost of sales and the improvement in the gross profit margin in 2012 versus 2011 and sequentially, were due to increased sales volumes and composition of product mix, respectively. On a year-over-year basis, cost of sales increased by 17% in Q4 2012 to US$ 4.7 million as compared to US$ 4.0 million in Q4 2011, with a gross profit margin of 67% in Q4 2012 versus 71% in Q4 2011. The gross profit margin in Q4 2012 of 67% as compared to 71% in Q4 2011 was due to the composition of products delivered.

Research and development expenses

Research and development expenses for the three months and year ended December 31, 2012 and for the comparable periods are as per the table below. The Group capitalised (in compliance with IFRS), costs associated with the development of the Sarine Light™ system, based on the Light Performance Technology acquired in Q4 2010, and the Sarine Loupe™ system, based on the imaging technology acquired from DSee Imaging in Q4 2011. We expect to continue to capitalise these development expenses until the start of revenue contribution from the products, as discussed below in Section 10.

US$ (thousands)	Q4 2012	Q4 2011	Q3 2012	2012	2011
R&D expenses as reported	1,731	1,565	1,491	6,180	5,771
Capitalised R&D costs	440	235	419	1,534	840
Total R&D costs incurred	2,171	1,800	1,910	7,714	6,611

The increase in research and development expenditures for the three months and year ended December 31, 2012 versus the comparable periods in 2011, and for the sequential quarter, is in line with the Group's strategic research and development plans and is primarily related to the Groups' development of new products and services for polished diamonds, the ongoing refinement and enhancement of the Galaxy™ family of inclusion mapping systems and of the rough planning products, along with other programs, as more fully detailed in section 10.

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2012 increased by 19% to US$ 8.8 million as compared to US$ 7.4 million for the year ended December 31, 2011. The increase in sales and marketing expenses in 2012 versus 2011 was primarily due to increased business development and marketing expenses associated with activities related to the launch of our new polished diamond products and services, the Sarine Light™ and Sarine Loupe™, as detailed in section 10.

Sequentially, sales and marketing expenses increased by 16% to US$ 2.4 million in Q4 2012 as compared to US$ 2.1 million in Q3 2012, primarily due to higher business development and marketing expenses associated with activities related to the launch of our new polished diamond products and services. On a year-over-year basis, sales and marketing expenses increased by 41% in Q4 2012 to US$ 2.4 million as compared to US$ 1.7 million in Q4 2011. The increase was due to higher business development and marketing expenses associated with activities related to our new polished diamond products and services and to higher variable compensation paid to our sales teams outside of India.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2012 increased by an insignificant US$ 0.1 million to US$ 4.0 million, as compared to US$ 3.9 million for the year ended December 31, 2011, primarily due to increased incentive-based compensation expenses.

Sequentially, general and administrative expenses increased by approximately US$ 0.2 million to US$ 1.0 million for Q4 2012 as compared to US$ 0.8 million in Q3 2012, primarily due to increased incentive-based compensation expenses and legal expenses. On a year-over-year basis, general and administrative expenses decreased by approximately US$ 0.1 million from US$ 1.1 million for Q4 2011 primarily due to decreased incentive-based compensation expenses.

Profit from operations

Profit from operations for the year ended December 31, 2012 increased by 15% to US$ 24.5 million as compared to US$ 21.3 million for the year ended December 31, 2011. The increase in profit from operations was due primarily to the higher sales volume and gross margins in 2012.

Sequentially, profit from operations for Q4 2012 increased by 40% to US$ 4.3 million as compared to US$ 3.1 million in Q3 2012, on higher sales volume following the renewed industry activity in India in the quarter. On a year-over-year basis, profit from operations decreased by 24% from US$ 5.6 million in Q4 2011 primarily due to a lower gross margin associated with the composition of products sold, increased business development expenses associated with Sarine Light™ and Sarine Loupe™, as well as increased third party commissions.

Net finance income

For the year ended December 31, 2012 the Group recorded net finance income of US$ 0.06 million as compared to US$ 0.18 million in the comparable period in 2011. The decrease in finance income in 2012 as compared to 2011 was mainly attributed to lower rates of interest on our US$ bank deposits in 2012.

Income tax expense

The statutory corporate tax rate in Israel in 2012 is 25% (24% in 2011). The Group's effective tax rate of approximately 16% is a blend of the statutory tax rate in Israel and substantial tax benefits, in accordance to tax directives enacted as of 2011, accorded to our export oriented revenue mix (marginally taxed at between 10%-15%) , offset somewhat by the higher statutory tax rate (34%) in India.

For the year ended December 31, 2012, the Group recorded income tax expense of US$ 3.8 million, as compared to an expense of US$ 4.1 million for the comparable period in 2011. The decrease in the income tax expense was due to a lower marginal tax rate in 2012 due to tax benefits associated with the Group's export oriented sales (from the Galatea subsidiary in particular which develops, manufactures and sells the Galaxy™ family of inclusion mapping systems).

Profit for the period

The Group recorded record net profit of US$ 20.8 for the year ended December 31, 2012, an increase of 20%, as compared to US$ 17.4 million for the year ended December 31, 2011. The increase in net profit was due primarily to the higher sales volume and gross margins in 2012.

Sequentially, net profit for Q4 2012 increased by 51% to US$ 3.8 million as compared to US$ 2.5 million in Q3 2012, on higher sales volumes following the renewed industry activity in India in Q4 2012. On a year-over-year basis, net profit decreased by 20% from US$ 4.8 million in Q4 2011, primarily due to the lower gross margin associated with the composition of products sold, increased business development expenses associated with Sarine Light™ and Sarine Loupe™, as well as increased third party commissions.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders any variance between it and the actual results.

Please refer to Section 10 e.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue influencing our business:

a. Based on IMF (International Monetary Fund) expectations, macro-economic data for 2013 will be of an overall positive bias (between 3% and 4% growth), with the exception of the Euro zone, which is forecast, on average, to show no growth or a very minimal contraction of some 0.2%. The United Kingdom, Germany and France are forecast to expand (under 1%), but the economies of Italy and Spain will contract (in excess of 1%) and drag the zone into stagnation or recession. However, in Europe too, banking sector data indicate that the risks are diminishing and return to growth may be "round the corner". Economic expansion in China is forecast to accelerate back to over 8%, above 2012 levels. India's economic growth is also set to accelerate, but, contrary to China, will not get back to 2011 levels of expansion (nor is it forecast to do so in 2014). The data from the U.S. indicate that the economic recovery has continued for a third year, although very tepidly (fourth quarter data show U.S. economy actually contracted very slightly, but jobs data was higher than expected), and the U.S. economy is forecast to continue to expand in 2013, but at a rate slightly less than in 2012. Japan has slid into a recession, but it is expected that government stimulus will bring the economy back to positive territory.

b. As for the luxury goods market, data indicate that 2012 was the third straight year following the "great recession" that luxury goods revenues grew annually by double-digits. Asia-Pacific sales, driven by China, are projected to have grown by 18 percent, while the Americas region is also projected to have posted strong gains, with revenues rising by 13 percent by year's end. Growth in Europe is forecasted to have approximately halved versus last year, on the backdrop of the crises there, but still to have grown by 5 percent this year. Bain & Company estimates that the luxury goods market will grow, in real terms (i.e. using constant exchange rates) by four to six percent per year from 2013 to 2015. As for diamond jewellery, sales for the holiday season were mixed, but most retailers reported a strong end-of-year showing, following a weak summer. U.S. retailers are cautious about 2013, pending the executive and legislative branches of the government finding a way to work constructively to resolve the basic failings of the U.S. economy. However, longer term, a surge in rough diamond consumption by the growing middle classes in China and India (the luxury goods demand in the latter is forecast to grow 25% by 2015) will push global polished diamond consumption at an annual compound growth rate of approximately six percent per year, according to the 2012 Global Diamond Industry Report, released in late December by Bain & Company.

c. Rough diamond prices were discounted by up to 10% by DeBeers and Alrosa, Russia's major producer of rough diamonds, during the last four months of 2012. During this same period, driven by holiday season demand, polished diamond prices stabilised, having dropped previously for most of 2012 to a point where profitable manufacturing was impossible (which, in fact, drove manufacturing to drop by some 40% during the summer months). For the time being, the drop in rough prices and stabilisation of polished prices has had a positive effect on the overall diamond manufacturing sector. If the trends discussed above in sections [a] and [b] manifest themselves as predicted, and polished prices remain stable or gain traction, this should contribute to a continued positive sentiment in the industry.

d. As has been discussed previously, the banks financing the diamond industry, not only in India, but in Belgium too, have become more circumspect in their extension of credit to their customers. Though not as critical an issue as during the summer of 2012, when manufacturing turnover dropped and banks worried about the ability of their customers to service their credit lines, we believe this caution on the part of the banks, and the more limited availability of working capital, has become the norm. Notwithstanding this, driven by the necessity to become more productive, we expect the investment in our technology will continue, as it provides the manufacturers with tangible and immediate advantages. All our systems designed for the manufacturing process, the inclusion mapping, planning and quality assurance systems, guarantee more yield and generate polished goods with a higher value.

e. Sales of new Galaxy™ family systems were slightly better in the fourth quarter, as the sentiment in the diamond manufacturing industry, in general, and in India, in particular, improved. However, as the fourth quarter was impacted by the Divalli break in India, deliveries did not rebound to Q1 and Q2 levels. With deliveries in Q4 of seven systems to customers and a Galaxy™ XL to the service centre in South Africa, we have, as of year-end, just over 95 systems deployed worldwide, and have fallen just short of our expected 100 target. However, looking forward, we are more confident, given overall positive business conditions and expect to increase the pace of deliveries in 2013.. For the year 2012, Galaxy™-related recurring revenues increased by approximately 50% over FY 2011, and, given the expanded installed base at the onset of FY 2013 and the accelerated deliveries expected during this year, we expect the growth of these recurring revenues to continue significantly. Having said that, we note that we have witnessed a trend of the application of the Galaxy™ technology to smaller and smaller stones, in itself a very positive development. However, as the usage fees collected are based on carat weight, we expect that per new system installed during 2013, many of which may be of the Solaris™ model, we may see less revenues in absolute terms per system. The competition continues to work on a competing system to the Galaxy™ family which is still in the development stage and no commercial launch has yet been effected. Based on input from customers who have seen the proposed system's current results, it would seem that the Galatea technology, as embodied in the Galaxy™ and Solaris™ product lines, continues to enjoy a significant advantage over the competition. We continue to strengthen our competitive position by continuing to refine our Galaxy™ family of products (see below), by continuing to add to our installed base of Galaxy™ systems and by continuing to strengthen our dominant market lead and the overall value proposition embodied in our planning systems (with which the inclusion mapping systems must interface).

f. We are progressing with our efforts to establish commercial arrangements with major opinion leaders in the industry, based on the Sarine Light™ system's ability to accurately and consistently assess and grade a polished diamond's Light Performance. The proposed commercialisation is based on either an upfront payment for the acquisition and installation of the equipment and a charge per Light Performance report generated or, for in-store demonstration uses for consumers, a lower upfront cost followed by subsequent monthly subscription fees. The terms of an initial commercial arrangement have been agreed with a significant retail chain of diamond jewellery in Asia, pertaining to the grading of their diamonds. Light Performance using the Sarine Light™ system, and its introduction into their stores for the consumers' benefit. Other leading retail chains in Japan, China and Hong Kong, India and elsewhere in Asia are evaluating the system as well, with some actively running pilots, and others still earlier along in the process. So too are leading gem labs in the Asian marketplace in various stages of analysing the systems unique capabilities. We expect additional agreements to be culminated throughout the year. In the U.S., leading retail chains have also expressed interest, having had initial exposure to the Sarine Light™, and have scheduled presentations at their headquarters and demonstrations of the system's capabilities and, indeed, of the concept of utilising Light Performance in the retail environment to enhance the consumer experience. We expect sales efforts to accelerate, with regional and local chains also being addressed, following the opening of the Group's new New York offices in the International Gem Tower on 47th Street, expected just after mid-year. Interest in, and even requests to acquire and implement the system in their retail environment, have started coming in from various retail customers in additional markets worldwide (including Singapore).

g. The Sarine Loupe™ has commenced an additional pilot test in India and Israel, from which we will glean additional feedback as to the system's maturity. Based on the results of these evaluations we will be able to better plan for the system's commercial launch later in 2013.

We continue to focus our research and development initiatives on the following projects:

The Galaxy™ family of products: Refinement and development efforts continue, as we enhance the Galaxy™ systems' functionality from various aspects - primarily accuracy and speed. The new microscope quality system, dubbed the Galaxy™ Ultra (Ultra High Definition) and announced at the end of 2012, has already demonstrated the ability to generate and automatically analyse imagery capturing inclusions which would nominally be beyond the gem labs' definition of a VVS1 stone, including elusive clouds of micron level imperfections. It will thus allow planners to more easily aim for internally flawless (IF) polished results. The enhanced system is scheduled to be available in our service centres in Israel and India in Q2 2013 and in other service centres later in the year. Improving the systems' speed is an ongoing quest, on which research level work is being performed.

Rough planning products: This line of products continues to be our primary contributor to revenue and one in which we continue to hold a dominant market position, thus being an additional entry barrier to would-be competition for inclusion mapping systems, as noted above. We have, as announced in January, released the DiaExpert™ Atom, for the high-speed cost-efficient processing of the smallest of rough stones, thus making our systems' benefits available to manufacturers of all sized goods. During 2013 we will continue to refine the Advisor™ rough planning software so as to optimise the polished diamond's value even more than Advisor™ 5.0 released in Q3 2012.

Facet polishing products: The Instructor™ software and DiaMension™ HD and DiaMark™ HD platforms are the Group's primary products for this industry segment, utilised by gem labs and others for grading a polished diamond's Cut, as well as for the quality control of the polishing stage of the manufacturing process. During 2013 we will endeavour to continue to refine these systems' accuracy, so as to avail even more accurate assessment of the diamond's Cut grade, including its Symmetry sub-grade parameters.

Sarine Light™: Following the launch of the Sarine Light™ in 2012, and the finalising of the requisite Light Performance grading scheme (in excess of 22,000 stones have already been accurately and consistently graded with an extremely high correlation to the perceived stone's beauty), development efforts are now focused on finalising the product's applicability to the retail environment, so as to allow its use to significantly enhance the consumer's buying experience. As an initial commercial arrangement has been agreed with a leading retail chain in Asia, as noted above, this effort is being accelerated so as to allow initial deployment in early Q2 2013. Thereafter, subsequent development work will be aimed at expanding the Sarine Light's™ capabilities, so as to provide more pervasive Light Performance grading for additional categories of polished diamonds.

Sarine Loupe™: As noted above, the Sarine Loupe™ system has commenced an additional pilot test in India and Israel. Based on the results of this pilot, we will be able to better assess what additional development work is required so as to facilitate the system's commercial launch later in 2013.

Sales and Marketing: Our efforts to establish the necessary sales infrastructure to expedite the launch and commercialisation of our polished diamond products and services enumerated above continue, with focus primarily on the U.S. and Far East markets. We expect to open the Group's new New York offices in the International Gem Tower on 47th Street, just after mid-year, which will significantly facilitate the U.S. marketing and sales efforts. A ninth Galaxy™ inclusion mapping service centre will also be opened in these facilities. We intend to also establish a Far East marketing and sales hub late this year or early in 2014, most likely in Hong Kong, but, possibly, in Singapore.

11. Dividend

(a) Current Financial Period Reported
Any dividend declared/recommended for the current financial period reported on?

On February 17, 2013, the Board of Directors recommended the Annual General Meeting approve a final dividend of US cent 1.25 per ordinary share for the full year ended December 31, 2012.

Going forward, for 2013, the Board has decided to increase the dividend policy to US cents 1.50 every six months, an increase of 50%, adjusted for May 2012 bonus issue, subject to semi-annual Board approval, the Annual General Meeting's approval of final dividend and subject to business conditions, financial results, other pre-empting uses of funds, statutory and tax issues, etc.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

On February 12, 2012, the Board of Directors recommended the Annual General Meeting approve a final dividend of US cent 1.0 per ordinary share (US cent 0.8 per ordinary share adjusted for bonus issue of May 2012) for the full year ended December 31, 2011.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

	Amount before tax US$'000	Tax rate applicable to shareholders %
2012	4,227	15%* / 10% **
2011	2,700	15%* / 10% **

*The tax rate for the final cash dividend for 2012 will be 15% (15% in 2011) for individual Israeli shareholders and 0% (0% in 2011) for Israeli corporate shareholders.
**The tax rate for the dividends for Singaporean shareholders is 10%.

(d) Date Payable**

	Amount US$'000
16 May 2013	4,227
26 May 2012	2,700

(e) Books Closure Date**

5:00 PM on:

	Amount US$'000
8 May 2013	4,227
6 May 2012	2,700

***Pending Annual General Meeting Approval

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions under Rule 920(1)(a)(ii). If no IPT mandate has been obtained a statement to that effect.

The Group has not obtained a general mandate from its shareholders for IPTs.

14. Negative confirmation pursuant to Rule 705(5) (not required for announcement of full year results).

Not applicable.

PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

15. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

In accordance with IFRS 8 Operating Segments, the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. The Group operates in only one operating segment. Presented below are revenues broken out by geographic distribution.

	India	Africa	Europe	North America	Israel	Others	Consolidated
	2012	2012	2012	2012	2012	2012	2012
				US$ thousands			
External revenues	48,789	4,871	1,661	1,102	3,150	4,177	63,750
Unallocated expenses							39,291
Profit from operations							24,459
Net finance income							61
Income tax expense							(3,765)
Profit for the year							20,755

	India	Africa	Europe	North America	Israel	Others	Consolidated
	2011	2011	2011	2011	2011	2011	2011
				US$ thousands			
External revenues	44,976	4,400	1,804	1,052	2,487	3,084	57,803
Unallocated expenses							36,547
Profit from operations							21,256
Net finance income							178
Income tax expense							(4,068)
Profit for the year							17,366

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

See section 8 above regarding an analysis of the changes in the revenues in the various segments.

17. Breakdown of sales.

	2012 US$'000	2011 US$'000
Revenue reported for:		
First half-year ended 30 June	37,837	27,861
Second half-year ended 31 December	25,913	29,942
	63,750	57,803
Profit for the period:		
First half-year ended 30 June	14,403	8,306
Second half-year ended 31 December	6,352	9,060
	20,755	17,366

* Amount less than one percent.

18. A breakdown of the total annual dividend (in US dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year US$'000	Previous Full Year US$'000
Ordinary	15,218*	8,765

*Pending Annual General Meeting Approval.

19. Interested Person Transactions

The Company confirms that, during the year ended December 31, 2012, there was no person occupying any managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company

On September 3, 2009, the Company leased 224 square meters of office space in the Israeli Diamond Exchange building, from a company controlled by an interested party. The initial lease was for a period of 24 months. In September 2011, the lease was subsequently extended by the Company for an additional 24 month period. The monthly rent during the initial six month period was US$4,855 per month and during the subsequent 18 month period was US$ 7,832 per month. The monthly rent during additional 24 month period is US$ 8,615 per month. The lessor may terminate the lease at any time on notice of five months to the Company.

On behalf of the Directors

Daniel Benjamin Glinert Executive Chairman	Avraham Eshed Executive Director	Eyal Mashiah Executive Director	Uzi Levami Executive Director and CEO