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 June 30,			Group Six months ended June 30,		
	2012	2011	Change %	2012	2011	Change %
Revenue	**18,153**	**15,610**	**16.3**	**37,837**	**27,861**	**35.8**
Cost of sales	5,668	5,315	6.6	11,330	9,662	17.3
Gross profit	**12,485**	**10,295**	**21.3**	**26,507**	**18,199**	**45.7**
Research and development expenses	1,483	1,524	(2.7)	2,958	2,806	5.4
Sales and marketing expenses	2,203	1,980	11.3	4,277	3,783	13.1
General and administrative expenses	958	1,038	(7.7)	2,179	1,811	20.3
Profit from operations	**7,841**	**5,753**	**36.3**	**17,093**	**9,799**	**74.4**
Net finance (expense) / income	(56)	135	NM	45	212	(78.8)
Profit before income tax	**7,785**	**5,888**	**32.2**	**17,138**	**10,011**	**71.2**
Income tax expense	(1,217)	(885)	37.5	(2,735)	(1,705)	60.4
Profit for the period	**6,568**	**5,003**	**31.3**	**14,403**	**8,306**	**73.4**
Other comprehensive (expense) income						
Foreign currency translation differences from foreign operations	(444)	(1)	NM	(502)	11	NM
Total comprehensive income for the period	**6,124**	**5,002**	**22.4**	**13,901**	**8,317**	**67.1**

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

Profit before income tax is stated after charging the following:

	Group Quarter ended June 30,			Group Six months ended June 30,		
	2012	2011	Change %	2012	2011	Change %
(Write-back of) allowance for doubtful trade receivables	(14)	25	NM	1	29	(96.6)
Depreciation and amortization	887	828	7.1	1,674	1,663	0.7
Interest income, net	43	92	(53.3)	114	114	--
Exchange rate differences	(99)	43	NM	(69)	99	NM
Warranty provision	38	61	(37.7)	42	64	(34.4)

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	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Assets				
Property, plant and equipment	4,982	2,903	1,714	1,715
Intangible assets	9,171	9,521	--	--
Investment in equity accounted investee and subsidiaries	--	--	16,542	14,524
Deferred tax assets	504	443	144	73
Total non-current assets	14,657	12,867	18,400	16,312
Inventories	7,564	6,264	5,512	5,022
Trade receivables	8,646	6,683	2,341	2,338
Other receivables	1,481	1,338	1,258	1,009
Restricted cash	485	485	485	485
Short-term investments (bank deposits)	25,763	19,105	19,986	14,167
Cash and cash equivalents	16,181	14,356	7,452	9,163
Total current assets	60,120	48,231	37,034	32,184
Total assets	74,777	61,098	55,434	48,496
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(891)	(891)	(891)	(891)
Share premium, reserves and retained earnings	61,102	49,094	46,785	40,822
Total equity	60,211	48,203	45,894	39,931
Liabilities				
Long-term liabilities	518	652	257	278
Employee benefits	151	155	133	137
Total non-current liabilities	669	807	390	415
Trade payables	3,928	2,657	2,728	1,507
Other payables	8,094	6,977	5,008	5,385
Current tax payable	1,460	2,081	1,187	1,031
Warranty provision	415	373	227	227
Total current liabilities	13,897	12,088	9,150	8,150
Total liabilities	14,566	12,895	9,540	8,565
Total equity and liabilities	74,777	61,098	55,434	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 Three months ended June 30, 2012	Group Three months ended June 30, 2011	Group Six months ended June 30, 2012	Group Six months ended June 30, 2011
Cash flows from operating activities				
Profit for the period	6,568	5,003	14,403	8,306
Adjustments for:				
Share-based payment expenses	231	150	437	209
Income tax expense	1,217	885	2,735	1,705
Depreciation of property, plant and equipment	374	315	648	614
Amortization of intangible assets	513	513	1,026	1,048
Net finance expense (income)	56	(135)	(45)	(212)
Changes in working capital				
Inventories	(816)	(203)	(1,300)	(118)
Trade receivables	717	(3,053)	(1,963)	(2,342)
Other receivables	(389)	144	(143)	(65)
Trade payables	(242)	906	1,271	971
Other short- and long-term liabilities	420	2,530	1,385	1,842
Employee benefits	(9)	94	(4)	97
Cash generated from operations	8,640	7,149	18,450	12,055
Income tax paid	(2,526)	(1,266)	(3,417)	(1,861)
Net cash from operating activities	6,114	5,883	15,033	10,194
Cash flows used in investing activities				
Acquisition of property, plant and equipment	(2,210)	(110)	(2,943)	(387)
Acquisition of intellectual property	--	--	(346)	(225)
Short-term investments, net	1,612	(11,015)	(6,658)	(8,607)
Capitalization of R&D expenses	(315)	(180)	(676)	(368)
Interest received	106	143	254	261
Net cash used in investing activities	(807)	(11,162)	(10,369)	(9,326)
Cash flows used in financing activities				
Proceeds from exercise of share options	80	294	370	460
Repayments of grants	(300)	(102)	(300)	(102)
Purchase of Company's shares by the Company	--	(56)	--	(413)
Dividend paid	(2,700)	(2,010)	(2,700)	(2,010)
Interest paid	(63)	(2)	(140)	(49)
Net cash used in financing activities	(2,983)	(1,876)	(2,770)	(2,114)
Net increase (decrease) in cash and cash equivalents	2,324	(7,155)	1,894	(1,246)
Cash and cash equivalents at beginning of the period	13,956	28,822	14,356	22,857
Exchange rate differences	(99)	43	(69)	99
Cash and cash equivalents at end of the period	16,181	21,710	16,181	21,710

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 period ended June 30, 2011	--	--	--	8,306	--	8,306
Other comprehensive income for the year ended June 30, 2011	--	--	11	--	--	11
Share-based payment expenses	--	209	--	--	--	209
Exercise of options	--	460	--	--	--	460
Dividend paid	--	--	--	(2,010)	--	(2,010)
Dormant shares, at cost (877,000 shares)	--	--	--	--	(413)	(413)
Balance at June 30, 2011	--	15,210	38	30,666	(466)	45,448
Balance at January 1, 2012	--	15,740	(307)	33,661	(891)	48,203
Profit for the period ended June 30, 2012	--	--	--	14,403	--	14,403
Other comprehensive income for the period ended June 30, 2012	--	--	(502)	--	--	(502)
Share-based payment expenses	--	437	--	--	--	437
Exercise of options	--	370	--	--	--	370
Dividend paid	--	--	--	(2,700)	--	(2,700)
Balance at June 30, 2012	--	16,547	(809)	45,364	(891)	60,211

* 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 period ended June 30, 2011	--	--	--	4,770	--	4,770
Other comprehensive income for the year ended June 30, 2011	--	--	11	--	--	11
Share-based payment expenses	--	209	--	--	--	209
Exercise of options	--	460	--	--	--	460
Dividend paid	--	--	--	(2,010)	--	(2,010)
Dormant shares, at cost (877,000 shares)	--	--	--	--	(413)	(413)
Balance at June 30, 2011	--	15,210	38	26,742	(466)	41,524
Balance at January 1, 2012	--	15,740	(307)	25,389	(891)	39,931
Profit for the period ended June 30, 2012	--	--	--	8,358	--	8,358
Other comprehensive income for the period ended June 30, 2012	--	--	(502)	--	--	(502)
Share-based payment expenses	--	437	--	--	--	437
Exercise of options	--	370	--	--	--	370
Dividend paid	--	--	--	(2,700)	--	(2,700)
Balance at June 30, 2012	--	16,547	(809)	31,047	(891)	45,894

* 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.

	June 30, 2012 No. of shares	March 31, 2012 No. of shares	June 30, 2011 No. of shares
Authorized:			
Ordinary shares of no par value	2,000,000,000	2,000,000,000	2,000,000,000
Issued and fully paid:			
Ordinary shares of no par value	339,990,797	271,576,904	270,125,717
Dormant shares (out of the issued and fully paid share capital):			
Ordinary shares of no par value	2,111,250	1,689,000	1,003,000
Total number of issued shares (excluding dormant shares)	337,879,547	269,887,904	269,122,717

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 1,689,000 treasury shares held by the Company. For the quarter ended June 30, 2012, a total of 415,741 options were exercised, of which 102,500 options were issued after the bonus shares were allotted.

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 June 30, 2011	32.6	9,555,271
At January 1,2012	31.6	8,716,628
Granted	52.6	2,250,000
Cancelled	34.8	(185,000)
Exercised	35.3	(1,048,285)
At June 30, 2012	36.4	9,733,343

Following the bonus issue in May 2012, each option outstanding under the Company's 2005 Share Option Plan is exercisable into 1.25 ordinary shares. Accordingly, as at June 30, 2012, 12,166,679 shares may be issued on conversion of all outstanding share options (as at June 30, 2011: 9,555,271 then ordinary shares or 11,944,089 ordinary shares, adjusted for 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 June 30, 2012, the total number of issued shares excluding treasury shares was 337,879,547 (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 six months ended June 30, 2012, the Company did not purchase any of its ordinary shares 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 period ended December 31, 2011 have been applied in the preparation for the financial statements for the period ended June 30, 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 June 30,		For the six months ended June 30,	
	2012	2011	2012	2011
Basic earnings per share (US cents)	1.95	1.50	4.27	2.48
Diluted earnings per share (US cents)	1.91	1.48	4.19	2.46

Basic earnings per share for the three months ended June 30, 2012 are calculated based on the weighted average number of 337,588,734 ordinary shares issued during the current period and the equivalent of 335,301,075 ordinary shares (adjusted for bonus issue) during the preceding period.

Diluted earnings per share for the three months ended June 30, 2012 are calculated based on weighted average number of 344,463,249 ordinary shares and outstanding options and the equivalent of 338,575,208 ordinary shares (adjusted for bonus issue) during the preceding period.

Basic earnings per share for the six months ended June 30, 2012 are calculated based on the weighted average number of 337,262,873 ordinary shares issued during the current period and the equivalent of 334,552,740 ordinary shares (adjusted for bonus issue) during the preceding period.

Diluted earnings per share for the six months ended June 30, 2012 are calculated based on weighted average number of 343,382,621 ordinary shares and outstanding options and the equivalent of 337,712,573 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	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Net asset value per ordinary share (US cents)	17.82	17.90	13.58	14.83

At June 30, 2012, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2012 of 339,990,797 less the number of dormant ordinary shares at June 30, 2012 of 2,111,250. The figures at June 30, 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

The Group reported quarterly revenues in Q2 2012 of US$ 18.2 million, profit from operations of US$ 7.8 million and net profit of US$ 6.6 million, as compared to revenues of US$ 15.6 million, profit from operations of US$ 5.8 million and net profit of US$ 5.0 million reported in Q2 2011. The Group reported record semi-annual revenues in H1 2012 of US$ 37.8 million, profit from operations of US$ 17.1 million and net profit of US$ 14.4 million, as compared to revenues of US$ 27.9 million, profit from operations of US$ 9.8 million and net profit of US$ 8.3 million reported in H1 2011. The improved operating performance in Q2 2012 and H1 2012 stemmed from an overall positive business sentiment through May 2012 and accelerated Galaxy™-related penetration and usage. On a sequential basis, the Group's performance in Q2 2012 as compared to Q1 2012 was impacted by softness experienced during June 2012, especially in India, as further described in section 10.

Galaxy™ usage continues to accelerate, with deliveries in Q2 2012 of fourteen Galaxy™ family systems, of which a record thirteen to customers and one XL to the service centre in Belgium. As of June 30, 2012, the Group has an installed base of over eighty Galaxy™ family systems. Galaxy™-related revenues for the six months ended June 30, 2012, exceeded a third of overall sales. Group recurring revenue (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) constituted over 20% of overall revenues for the six months ended June 30, 2012.

Balance Sheet Highlights

As at June 30, 2012, cash and cash equivalents, restricted cash and short-term investments (bank deposits) increased to US$ 42.4 million from the US$ 41.8 million reported as of March 31, 2012 and from the US$ 33.9 million reported as of December 31, 2011. This increase on the back of the Group's strong operating results is after the payment of a $2.7 million final dividend for the fiscal year 2011, paid in May 2012, and after the Group's purchase of land measuring approximately 2,400 square meters in Surat, India, for approximately US$ 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. The restricted cash as at June 30, 2012 of US$ 0.5 million relates to the initial deposit on the Sarin office unit in the International Gem Tower being constructed in New York. Excess cash from operations is invested in bank deposits with maturities between two and nine months.

Trade receivables decreased to US$ 8.6 million as at June 30, 2012 from US$ 9.4 million, as at March 31, 2012 (US$ 6.7 million, at 2011 year end). As at June 30, 2012, inventories increased to US$ 7.6 million as compared to US$ 6.7 million at March 31, 2012 (US$ 6.3 million, at 2011 year end). The increase in inventories is related to procurement of long-lead time parts for the Group's production needs, in particular related to the Galaxy™ family of systems.

Revenues

Revenue by geographic segments --
Q2 2012, Q2 2011, Q1 2012, H1 2012 and H1 2011 (US$ '000)

Q2 2012 versus Q2 2011				
Region	**Q2 2012**	**Q2 2011**	**$ change**	**% change**
India	14,135	12,359	1,776	14.4
Africa	1,479	1,186	293	24.7
Europe	388	588	(200)	(34.0)
North America	301	241	60	24.9
Other	1,850	1,236	614	49.7
Total	18,153	15,610	2,543	16.3

H1 2012 versus H1 2011				
Region	**H1 2012**	**H1 2011**	**$ change**	**% change**
India	30,674	21,731	8,943	41.2
Africa	2,363	2,304	59	2.6
Europe	754	1,025	(271)	(26.4)
North America	732	453	279	61.6
Other	3,314	2,348	966	41.1
Total	37,837	27,861	9,976	35.8

Q2 2012 versus Q1 2012				
Region	**Q2 2012**	**Q1 2012**	**$ change**	**% change**
India	14,135	16,539	(2,404)	(14.5)
Africa	1,479	884	595	67.3
Europe	388	366	22	6.0
North America	301	431	(130)	(30.2)
Other	1,850	1,464	386	26.4
Total	18,153	19,684	(1,531)	(7.8)

The Group reported revenues in Q2 2012 of US$ 18.2 million as compared to US$ 15.6 million in Q2 2011, an increase of 16%. For the six months ended June 30, 2012, the Group reported revenues of US$ 37.8 million as compared to US$ 27.9 million for the six months ended June 30, 2011, an increase of 36%. As noted, the improved operating performance for the three and six months ended June 30, 2012 stemmed from an overall positive business sentiment (through May 2012) and accelerated Galaxy™-related penetration and usage. On a sequential basis, Group revenues decreased by 8% in Q2 2012 as compared to Q1 2012 due to the softness experienced during June 2012, especially in India, as expanded upon below.

Cost of sales and gross profit

Cost of sales for Q2 2012 increased by 7% to US$ 5.7 million as compared to US$ 5.3 million for Q2 2011, with gross profit margins of 69% in Q2 2012 versus 66% in Q2 2011. Similarly, cost of sales for H1 2012 increased by 17% to US$ 11.3 million as compared to US$ 9.7 million for H1 2011, with gross profit margins of 70% in H1 2012 versus 65% in H1 2011. The increase in the cost of sales and the improvement in the gross profit margin on a year-over-year basis were due to increased sales volumes and composition of product mix, respectively. On a sequential basis gross profit margins were 69% in Q2 2012 as compared to 71% in Q1 2012 due to the composition of product mix in the respective quarters.

Research and development expenses

Research and development expenses for the three and six months ended June 30, 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 Sarin Light™ (renamed from Sarin D-Light™ due to trademark registration issues) system based on the Light Performance Technology acquired in Q4 2010 and the Sarin Loupe™ (renamed from D-Loupe™ also due to trademark registration issues) 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 these products, which is expected later in 2012 and early 2013, respectively.

US$ (thousands)	Q2 2012	Q2 2011	Q1 2012	H1 2012	H1 2011
R&D expenses as reported	1,483	1,524	1,475	2,958	2,806
Capitalised R&D costs	315	180	361	676	368
Total R&D costs incurred	1,798	1,704	1,836	3,634	3,174

The increase in research and development expenditures for the three and six months ended June 30, 2012 versus the comparable periods in 2011 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™ and rough planning products, along with other programs, as more fully detailed in section 10.

Sales and marketing expenses

Sales and marketing expenses increased by 11% to US$ 2.2 million in Q2 2012 as compared to US$ 2.0 million in Q2 2011 and increased by 6% as compared to US$ 2.1 million in Q1 2012. Sales and marketing expenses for H1 2012 increased by 13% to US$ 4.3 million as compared to US$ 3.8 million for H1 2011. The increase in sales and marketing expenses for the three and six months ended June 30, 2012 versus the comparable periods in 2011 was primarily due to increased business development and marketing expenses associated with activities related to our new polished diamond products and services, as detailed in section 10.

General and administrative expenses

General and administrative expenses decreased by US$ 0.08 million to US$ 0.96 million for Q2 2012 as compared to US$ 1.04 million in Q2 2011, primarily due to reduced legal fees. On a sequential basis, general and administrative expenses decreased by US$ $0.26 million from US$ 1.22 million in Q1 2012, primarily due to decreased legal fees and incentive-based compensation expenses. General and administrative expenses for H1 2012 increased by US$ 0.37 to US$ 2.18 million as compared to US$ 1.81 million for H1 2011, primarily due to increased incentive-based compensation expenses.

Profit from operations

Profit from operations for Q2 2012 increased by 36% to a US$ 7.8 million as compared to US$ 5.8 million in Q2 2011. Profit from operations for H1 2012 increased by 74% to US$ 17.1 million as compared to US$ 9.8 million in H1 2011.The increase in profit from operations was due to the significantly higher sales volume, gross and operating margins. Sequentially, profit from operations decreased by 15% from US$ 9.3 million in Q1 2012, primarily due the softness experienced during June 2012.

Net finance income (expense)

For Q2 2012 the Group recorded net finance expense of US$ 0.06 million as compared to net finance income of US$ 0.14 million in Q2 2011 and US$ 0.10 million in Q1 2012. For H1 2012 the Group recorded net finance income of US$ 0.05 million as compared to US$ 0.21 million in H1 2011. The increase in expense in Q2 2012 (and reduced financial income in H1 2012) was mainly attributed to exchange rates losses in Q2 2012 associated with the Group's New Israeli Shekel deposits being re-valued downwards due to the strengthening of the US$.

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 accorded to our export oriented revenue mix (marginally taxed at between 10%-15%) in accordance to tax directives enacted as of 2011, offset somewhat by the higher statutory tax rate (34%) in India.

For the three and six months ended June 30, 2012, the Group recorded income tax expense of US$ 1.2 million and US$ 2.7 million, respectively, as compared to an expense of US$ 0.9 million and US$ 1.7 million for the comparable periods in 2012. The increase in the income tax expense was due to the Group's improved business performance during the three and six months ended June 30, 2012 as compared to the comparable periods in 2011.

Profit for the period

Net profit for Q2 2012 increased by 31% to US$ 6.6 million as compared to US$ 5.0 million in Q2 2011. Net profit for H1 2012 increased by 73% to US$ 14.4 million as compared to US$ 8.3 million in H1 2011, due primarily to the significantly higher sales volume and gross and operating margins, all as discussed above. Sequentially, net profit decreased by 16% from US$ 7.8 million in Q1 2012, primarily due the softness experienced during June 2012.

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

Not applicable.

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. Macro-economic data are of an overall negative bias. Further to the existing known conditions of several Western European economies, economic expansion in China, though still robust at slightly under 8%, has slowed somewhat, seemingly tempering the Chinese consumer's appetite for luxury goods, including diamond jewellery. In addition, the domestic market in India for diamond jewellery has been impaired by the Indian Rupee's weakness vis-à-vis the US Dollar, over the past year, which, coupled with the net increase in polished diamonds prices during that period, has effectively doubled the price of polished diamonds in India, with a sobering effect on consumer spending there. Indeed, after peaking in April, the S&P Global Luxury Index has retreated by some 10%, an indication of overall consumer sentiment. De Beers reported to the public on July 20, 2012 regarding their initial six months of operations in 2012 and noted that: "early indications are that the US market continued to perform well, and the Chinese market, while slowing considerably, still showed positive growth." Their outlook is that: "In the short term, the USA, China, the Gulf and Japan are expected to contribute the bulk of growth, while India and Europe are expected to remain weak. In the long-term, the fundamentals of the diamond industry remain strong as demand will continue to outstrip supply."

b. There is a pronounced issue of limited liquidity and working capital credit lines available to Indian manufacturers. This has had a significant effect on many of our customers' ability to meet ongoing working capital requirements (which has indeed curtailed demand for rough diamonds since April; see below) and simultaneously provide for large-ticket capital equipment procurement expenditures. Indeed, De Beers, in the same report quoted above, observed: "... Sightholder demand was impacted by increased stock in the cutting centres, tightening liquidity and challenging conditions in India." We believe there are multiple causes for this liquidity difficulty, including:
    - Overall global banking reining in of available credit, stemming from global macroeconomic considerations;
    - The devaluation of the Indian Rupee, as Indian credit lines are often pegged partially to the Indian Rupee, and, in addition, Indian currency directives now require the local manufacturers to convert half their revenues into Indian Rupees upon receipt; and
    - Polished diamond price volatility, as expanded upon below, which has created the expectation amongst many wholesale traders that polished diamond prices will continue to fall, driving them to delay their buying of polished diamonds.

c. Rough diamond prices have increased incrementally to a point, where, coupled with the liquidity issue noted above, the Indian manufacturers have, of late, waived significant portions (over 25%) of the De Beers sights. At the same time there has been a short term erosion of polished diamond prices due to consumer spending weakness. Coupled with the Indian industry's working capital issues, noted above, this has created the expectation amongst wholesale traders that polished diamond prices will continue to fall, driving them to delay their buying for the upcoming fall holiday season, further exacerbating Indian manufacturers' issues of liquidity, creating a vicious circle of cause and effect. De Beers has partially addressed this issue by marginally discounting some (lesser) goods and allowing its Indian sight holders to selectively defer up to 50% of their procurement of rough diamonds at the last (July) sight, also seemingly intending to send a message to wholesale traders not to expect a glut of polished goods come the fall.

d. We expect the aforementioned two issues in paragraphs [b] and [c] above to impede our business in the immediate near term. Most industry observers believe that, having very limited inventories, most retail jewellers / chains will, in preparation for the crucial fall holiday season, need to restock soon, which should alleviate, to a large degree, the polished diamond price erosion issue, and, with it, the liquidity issue.

e. Demand for the Galaxy™ product line continues to grow in all major industry centres with record shipments having been realised in Q2 to customers in India, Africa and China. With deliveries in Q2 of thirteen systems to customers and one (XL) to our service centre in Belgium, we now have more than 80 systems deployed worldwide and remain confident we can achieve our stated goal of having 100 systems installed by year's end. Galaxy™ usage has continued to grow with Galaxy™-related revenues for H1 2012 accounting for over one third of Group sales. 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 scheduled. We continue to strengthen our competitive position by continuing to refine our Galaxy™ family of products, 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 continuing our strategic move into the polished diamond trade. Our Diamond Assay Service (DAS), an online subscription service launched earlier this year continues to gain traction. Our Sarin-Light™, Light Performance product (renamed from Sarin D-Light™ as noted above), was launched in the US at the JCK Show in Las Vegas in early June and in Hong Kong at the summer Hong Kong Jewellery & Gem Fair later that month. Interest and positive feedback exceeded our expectations and we are now endeavouring to establish initial commercial agreements with major opinion leaders in the industry in the U.S., Hong Kong, China and Japan, as well as with local retail chains in various geographies. The Sarin-Loupe™ product (renamed from D-Loupe™ as noted above), having justified the viability of the product and the concept it embodies in a pilot test in India and Israel, is undergoing refinement. We are still aiming to launch it later this year.

We continue to focus our research and development initiatives on the following projects and expect our research and development expenses to increase, primarily due to our new products and services for the polished diamond trade, with other research and development expenses forecast to grow more in line with the expected expansion of our sales.

The Galaxy™ family of products: Refinement and development efforts continue, as we enhance the Galaxy™ systems' functionality from various aspects, including even better resolution and performance (in general and for smaller inclusions in particular).

Rough planning products: This line of products continues to be our primary contributor to revenue. We will continue throughout 2012 to introduce further refinements to these systems and the related Advisor™ software for even better optimisation of the profit realised by our customers. By continuously adding value for all sizes and qualities of rough stones, based also on the integration of the inclusion data provided by the Galaxy™ family of systems, we continue to provide impetus for our existing and new customers to select our products over those of our competition.

Facets polishing products: The Instructor™, DiaMension™ HD and DiaMark™ HD are the Group's primary products for this industry segment. Having concluded the initial phase of development for automated Symmetry measuring, as initiated with the American Gem Society (AGS) and subsequently qualified by the Gemmological Institute of America (GIA), we are now moving forward with additional enhancement work of this feature. We are seeing interest from other industry leaders in Symmetry grading and believe it will be a driver of additional business opportunities going forward.

Sarin-Light™: Following the launch of the Sarin-Light™ Light Performance product at trade shows in June, development work is now focused on finalising the requisite Light Performance grading scheme, so as to facilitate actual commercial launch in the second half of 2012 with major industry opinion leaders who require the ability to issue reports on a polished diamond's Light Performance. Subsequent development plans for this product later in 2012 and into early 2013 will be aimed at allowing retailers to use it proficiently in the modern retail environment as a selling tool.

Sarin-Loupe™: Our pilot in India and Israel in March through May, though having shown definite interest in the product and the concept it embodies, has shown that the product requires additional refinement. Our development efforts are currently focused on the necessary improvements, so as to allow launch at the earliest possible date, hopefully later this year.

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 Far East markets (China and ex-China) and the US.

Dividend Policy: The Board of Directors has recommended to retain the dividend policy going forward at a fixed dividend of US cents 1.25 per ordinary share every six months, notwithstanding the recent bonus issue, subject to semi-annual Board approval, the Annual General Meeting's approval and subject to business conditions, financial results, other pre-empting uses of funds, statutory and tax issues, etc.

11. Dividend

(a) Current Financial Period Reported

Any dividend declared/recommended for the current financial period reported on?

The Board of Directors declared an interim dividend of US cent 1.25 per ordinary share for the half-year ended June 30, 2012. The current dividend is after the 5-for-4 bonus issue in May 2012.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

In August 2011, the Board of Directors declared an interim dividend of US cent 1.25 per ordinary share (US cent 1.0 per ordinary share adjusted for bonus issue) for the half-year ended June 30, 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	4,223	15%* / 10% **
2011	3,380	15%* / 10% **

*The tax rate for the interim 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
5.9.12	4,223
8.9.11	3,380

(e) Books Closure Date

5:00 PM on:

	Amount US$'000
24.8.12	4,223
26.8.11	3,380

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).

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial results of the Group for the period ended June 30, 2012, to be false or misleading, in any material aspect.

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert
Executive Chairman of the Board

Uzi Levami
Executive Director and CEO