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,		
	2013	2012	Change %	2013	2012	Change %
Revenue	**22,134**	**18,153**	**21.9**	**42,348**	**37,837**	**11.9**
Cost of sales	6,545	5,668	15.5	12,201	11,330	7.7
Gross profit	**15,589**	**12,485**	**24.9**	**30,147**	**26,507**	**13.7**
Research and development expenses	1,978	1,483	33.4	3,644	2,958	23.2
Sales and marketing expenses	2,814	2,203	27.7	5,546	4,277	29.7
General and administrative expenses	1,288	958	34.4	2,386	2,179	9.5
Profit from operations	**9,509**	**7,841**	**21.3**	**18,571**	**17,093**	**8.6**
Net finance (expense)/income	(55)	(56)	(1.8)	58	45	28.9
Profit before income tax	**9,454**	**7,785**	**21.4**	**18,629**	**17,138**	**8.7**
Income tax expense	(1,176)	(1,217)	(3.4)	(2,286)	(2,735)	(16.4)
Profit for the period	**8,278**	**6,568**	**26.0**	**16,343**	**14,403**	**13.5**
Other comprehensive expense						
Foreign currency translation differences from foreign operations	(437)	(444)	(1.6)	(461)	(502)	(8.2)
Total comprehensive income for the period	**7,841**	**6,124**	**28.0**	**15,882**	**13,901**	**14.3**

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,		
	2013	2012	Change %	2013	2012	Change %
Allowance (write-back) for doubtful trade receivables	2	(14)	NM	(31)	1	NM
Depreciation and amortization	1,044	887	17.7	1,985	1,674	18.6
Interest (expense)/income, net	(43)	43	NM	(79)	114	NM
Exchange rate differences	(12)	(99)	(87.9)	137	(69)	NM
Warranty provision	10	38	(73.7)	13	42	(69.0)

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, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Assets				
Property, plant and equipment	10,018	5,482	932	1,078
Intangible assets	8,873	9,208	--	--
Investment in equity accounted investee and subsidiaries	--	--	16,173	9,975
Deferred tax assets	854	659	407	324
Total non-current assets	19,745	15,349	17,512	11,377
Inventories	6,504	6,832	4,821	4,940
Trade receivables	15,367	7,366	4,051	2,061
Other receivables	2,438	1,474	948	665
Restricted cash	--	485	--	485
Short-term investments (bank deposits)	24,090	17,147	15,261	12,244
Cash and cash equivalents	18,926	19,155	11,808	14,549
Total current assets	67,325	52,459	36,889	34,944
Total assets	87,070	67,808	54,401	46,321
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	--	(1,113)	--	(1,113)
Share premium, reserves and retained earnings	71,932	57,251	44,356	39,563
Total equity	71,932	56,138	44,356	38,450
Liabilities				
Long-term liabilities	188	369	188	369
Employee benefits	193	187	170	165
Total non-current liabilities	381	556	358	534
Trade payables	3,580	2,016	2,856	1,395
Other payables	9,436	7,469	5,827	4,638
Current tax payable	1,321	1,222	769	1,069
Warranty provision	420	407	235	235
Total current liabilities	14,757	11,114	9,687	7,337
Total liabilities	15,138	11,670	10,045	7,871
Total equity and liabilities	87,070	67,808	54,401	46,321

*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,		Group Six months ended June 30,	
	2013	2012	2013	2012
Cash flows from operating activities				
Profit for the period	8,278	6,568	16,343	14,403
Adjustments for:				
Share-based payment expenses	528	231	838	437
Income tax expense	1,176	1,217	2,286	2,735
Depreciation of property, plant and equipment	403	374	831	648
Amortization of intangible assets	641	513	1,154	1,026
Net finance income (expenses)	55	56	(58)	(45)
Changes in working capital				
Inventories	(183)	(816)	328	(1,300)
Trade receivables	(4,199)	717	(8,001)	(1,963)
Other receivables	(288)	(389)	(964)	(143)
Trade payables	655	(242)	1,564	1,271
Other short- and long-term liabilities	1,119	420	1,918	1,385
Employee benefits	1	(9)	6	(4)
Cash generated from operations	8,186	8,640	16,245	18,450
Income tax paid	(974)	(2,526)	(2,382)	(3,417)
Net cash from operating activities	7,212	6,114	13,863	15,033
Cash flows used in investing activities				
Acquisition of property, plant and equipment	(215)	(2,210)	(5,698)	(2,943)
Restricted cash	--	--	485	--
Acquisition of intellectual property	--	--	--	(346)
Short-term investments, net	(3,838)	1,612	(6,943)	(6,658)
Capitalization of R&D expenses	(190)	(315)	(819)	(676)
Interest received	64	106	169	254
Net cash used in investing activities	(4,179)	(807)	(12,806)	(10,369)
Cash flows used in financing activities				
Proceeds from exercise of share options	568	80	826	370
Repayments of long-term liabilities	(249)	(300)	(249)	(300)
Sale of Company's shares by the Company	--	--	2,527	--
Dividend paid	(4,279)	(2,700)	(4,279)	(2,700)
Interest paid	(107)	(63)	(248)	(140)
Net cash from financing activities	(4,067)	(2,983)	(1,423)	(2,770)
Net increase (decrease) in cash and cash equivalents	(1,034)	2,324	(366)	1,894
Cash and cash equivalents at beginning of the period	19,972	13,956	19,155	14,356
Exchange rate differences	(12)	(99)	137	(69)
Cash and cash equivalents at end of the period	18,926	16,181	18,926	16,181

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, 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
Balance at January 1, 2013	--	17,158	(633)	40,726	(1,113)	56,138
Profit for the period ended June 30, 2013	--	--	--	16,343	--	16,343
Other comprehensive income for the period ended June 30, 2013	--	--	(461)	--	--	(461)
Share-based payment expenses	--	838	--	--	--	838
Exercise of options	--	826	--	--	--	826
Dormant shares	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(4,279)	--	(4,279)
Balance at June 30, 2013	--	20,236	(1,094)	52,790	--	71,932

* 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, 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
Balance at January 1, 2013	--	17,158	(633)	23,038	(1,113)	38,450
Profit for the period ended June 30, 2013	--	--	--	6,455	--	6,455
Other comprehensive income for the period ended June 30, 2013	--	--	(461)	--	--	(461)
Share-based payment expenses	--	838	--	--	--	838
Exercise of options	--	826	--	--	--	826
Dormant shares	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(4,279)	--	(4,279)
Balance at June 30, 2013	--	20,236	(1,094)	25,214	--	44,356

* 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, 2013	March 31, 2013	June 30, 2012
	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
Issued and fully paid:			
Ordinary shares of no par value	343,597,256	341,576,342	339,990,797
Dormant shares (out of the issued and fully paid share capital):			
Ordinary shares of no par value	--	--	2,111,250
Total number of issued shares (excluding dormant shares)	343,597,256	341,576,342	337,879,547

For the quarter ended June 30, 2013, a total of 2,020,914 employee share options were exercised into 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 as at June 30, 2012 included the dormant shares.

Details of changes in share options:

	Average exercise price in US$ cents per share	Options
At January 1,2013	30.7	11,537,842
Granted	105.4	9,060,000
Cancelled	--	--
Exercised	27.2	3,037,001
At June 30, 2013	68.1	17,560,841

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, 2013, the total number of issued shares excluding dormant shares was 343,597,256 (as at December 31, 2012: 338,149,005). As at June 30, 2013 the total number of dormant shares was nil (as at December 31, 2012: 2,411,250).

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 three months ended June 30, 2013, 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. For the six months ended June 30, 2013, the Company sold 2,411,250 dormant shares to third-parties in on-market transactions (net proceeds to the Company of US$ 2.5 million).

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, 2012 have been applied in the preparation for the financial statements for the period ended June 30, 2013, except for the IFRS amendment to IAS 19, Employee Benefits, that was implemented as of January 1, 2013.

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.

The Group implemented IFRS amendment to IAS 19, Employee Benefits, as of January 1, 2013. The implementation did not have a material impact on the Company's and Group's financial statements.

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,	
	2013	2012	2013	2012
Basic earnings per share (US cents)	2.41	1.95	4.79	4.27
Diluted earnings per share (US cents)	2.39	1.91	4.75	4.19

Basic earnings per share for the three months ended June 30, 2013 are calculated based on the weighted average number of 342,898,589 ordinary shares issued during the current period and the equivalent of 337,588,734 ordinary shares during the preceding period.

Diluted earnings per share for the three months ended June 30, 2013 are calculated based on weighted average number of 346,434,491 ordinary shares and outstanding options and the equivalent of 344,463,249 ordinary shares during the preceding period.

Basic earnings per share for the six months ended June 30, 2013 are calculated based on the weighted average number of 341,123,839 ordinary shares issued during the current period and the equivalent of 337,262,873 ordinary shares during the preceding period.

Diluted earnings per share for the six months ended June 30, 2013 are calculated based on weighted average number of 344,292,221 ordinary shares and outstanding options and the equivalent of 343,382,621 ordinary shares 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, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Net asset value (US$ thousands)	71,932	56,138	44,356	38,450
Net asset value per ordinary share (US cents)	20.93	16.60	12.91	11.37

At June 30, 2013, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2013 of 343,597,256 (there were no dormant ordinary shares at June 30, 2013).

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.

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 record quarterly revenues in Q2 2013 of US$ 22.1 million and record net profit of US$ 8.3 million, as compared to revenues of US$ 18.2 million and net profit of US$ 6.6 million reported in Q2 2012 and revenues of US$ 20.2 million and net profit of US$ 8.1 million reported in Q1 2013. The Group reported record semi-annual revenues in H1 2013 of US$ 42.3 million and net profit of US$ 16.3 million, as compared to revenues of US$ 37.8 million and net profit of US$ 14.4 million reported in H1 2012. The improved operating performance in Q2 2013 and H1 2013 on a year-over-year and sequential basis stemmed from an improved overall business sentiment and increased Galaxy™-related revenues. During Q2 2013, the Group recognized initial, albeit marginal, revenues from the commercialization of Sarine Light™.

Galaxy™ penetration continues to grow, with deliveries in Q2 2013 of a quarterly record of 17 Galaxy™ family systems, of which a record 16 were to customers and a lone Galaxy™ Ultra, our new microscope-enhanced system designed to identify micron sized flaws, to our service centre in Surat, India. As of June 30, 2013, the Group has an installed base of 122 Galaxy™ family systems. Galaxy™-related recurring revenues increased by just over 50% in H1 2013, as compared to H1 2012, and overall recurring revenues (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) are just under 30% of our overall sales.

Balance Sheet and Cash Flow Highlights

As at June 30, 2013, cash and cash equivalents and short-term investments (bank deposits) increased to US$ 43.0 million from the US$ 40.2 million reported as of March 31, 2013 and from the US$ 36.8 million reported as of December 31, 2012. This increase in Q2 2013 follows the Group's strong operating results and is after the payment of a US $4.3 million final dividend for the fiscal year 2012, paid in May 2013. H1 2013 cash was also impacted by the closing on the purchase of approximately 500 square meters of office space at a cost of US$ 5.0 million in the new International Gem Tower in New York City, in January 2013 offset by the proceeds of US$ 2.5 million from the sale of 2.4 million dormant (treasury) shares. Trade receivables increased to US$ 15.4 million as at June 30, 2013 from the

US$ 11.2 million reported as at March 31, 2013 and from US$ $ 7.4 million as at December 31, 2012. The increase in trade receivables is due to higher receivables associated with increased recurring revenues in Q2 2013 and H1 2013 (typically, two months of recurring revenues are outstanding) and following the provision of credit terms on several large purchases by our customers during the quarter.

Revenues

Revenue by geographic segments -- (US$ '000)

Q2 2013 versus Q2 2012				
Region	**Q2 2013**	**Q2 2012**	**$ change**	**% change**
India	16,980	14,135	2,845	20.1
Africa	932	1,479	(547)	(37.0)
Europe	576	388	188	48.5
North America	26	301	(275)	(91.4)
Israel	1,003	636	367	57.7
Other	2,617	1,214	1,403	115.6
Total	22,134	18,153	3,981	21.9

H1 2013 versus H1 2012				
Region	**H1 2013**	**H1 2012**	**$ change**	**% change**
India	32,481	30,674	1,807	5.9
Africa	2,180	2,363	(183)	(7.7)
Europe	1,099	754	345	45.8
North America	238	732	(494)	(67.5)
Israel	1,883	1,408	475	33.7
Other	4,467	1,906	2,561	134.4
Total	42,348	37,837	4,511	11.9

Q2 2013 versus Q1 2013				
Region	**Q2 2013**	**Q1 2013**	**$ change**	**% change**
India	16,980	15,501	1,479	9.5
Africa	932	1,248	(316)	(25.3)
Europe	576	523	53	10.1
North America	26	212	(186)	(87.7)
Israel	1,003	880	123	14.0
Other	2,617	1,850	767	41.5
Total	22,134	20,214	1,920	9.5

The Group reported record quarterly revenues in Q2 2013 of US$ 22.1 million, an increase of 22% as compared to revenues of US$ 18.2 million in Q2 2012 and an increase of 9% as compared to US$ 20.2 million in Q1 2013. The Group reported record semi-annual revenues in H1 2013 of US$ 42.3 million, an increase of 12% as compared to revenues of US$ 37.8 million in H1 2012. The increase in revenues was across most geographic segments, save Africa, which had an exceptionally strong first quarter and first half on 2012, and North America. The increase in revenues in Q2 2013 and H1 2013 on a year-over-year and sequential basis stemmed from an improved overall business sentiment and increased Galaxy™-related revenues. During Q2 2013, the Group recognized initial, albeit marginal, revenues from the commercialisation of Sarine Light™ following its launch, as announced, in Japan.

Cost of sales and gross profit

Cost of sales for Q2 2013 increased by 15% to US$ 6.5 million as compared to US$ 5.7 million for Q2 2012, with gross profit margins of 70% in Q2 2013 versus 69% in Q2 2012. Similarly, cost of sales for H1 2013 increased by 8% to US$ 12.2 million as compared to US$ 11.3 million for H1 2012, with gross profit margins of 71% in H1 2013 versus 70% in H1 2012. 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. On a sequential basis gross profit margins were 70% in Q2 2013 as compared to 72% in Q1 2013 due to the composition of product mix in the respective quarters.

With the commercialisation of the Sarine Light™ system in April 2013, the Group began amortising in cost of goods sold previously capitalised research and development costs on this project. As of Q2 2013, non-cash amortisation expenses affecting the cost of sales, related to the Sarine Light™ system and the Galaxy™ family of products (being amortised since 2009) total US$ 0.64 million per quarter.

Research and development expenses

Research and development expenses for Q2 2013 and H1 2013 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 Loupe™ system, based on the imaging technology acquired from DSee Imaging in Q4 2011. With the commercialisation the Sarine Light™ system in April 2013, we ceased capitalising its development expenses. We expect to continue to capitalise the development of the Sarine Loupe™ system until the start of revenue contribution, as discussed below in Section 10.

US$ (thousands)	Q2 2013	Q2 2012	Q1 2013	H1 2013	H1 2012
R&D expenses as reported	1,978	1,483	1,666	3,644	2,958
Capitalised R&D costs	190	315	629	819	676
Total R&D costs incurred	2,168	1,798	2,295	4,463	3,634

The increase in research and development expenditures for Q2 2013 and H1 2013 and for the comparable periods last year is in line with the Group's strategic research and development plans and is primarily related to the Group's 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. On a sequential basis the modest decrease in research and development expenses is related to reduced outsource expenditures in Q2 2013 as compared to Q1 2013.

Sales and marketing expenses

Sales and marketing expenses for Q2 2013 increased by 28% to US$ 2.8 million, as compared to US$ 2.2 million for Q2 2012, and increased by 3%, as compared to US$ 2.7 million in Q1 2013. Similarly, sales and marketing expenses for H1 2013 increased by 30% to US$ 5.5 million, as compared to US$ 4.3 million for H1 2012. The increase in sales and marketing expenses for Q2 2013 and H1 2013 on a year-over-year and sequential basis was primarily due to increased business development and marketing expenses associated with activities related to the launch of our new polished diamond products and offerings.

General and administrative expenses

General and administrative expenses in Q2 2013 were US$ 1.3 million, an increase of US$ 0.3 million, as compared to US$ 1.0 million in Q2 2012, and an increase of US$ 0.2 million, as compared to US$ 1.1 million in Q1 2013. Similarly, general and administrative expenses for H1 2013 were US$ 2.4 million, an increase of US$ 0.2 million, as compared to US$ 2.2 million for H1 2012. The increase in general and administrative expenses for Q2 2013 and H1 2013 on a year-over-year and sequential basis was primarily due to increased incentive-based compensation and legal related expenses.

Profit from operations

Profit from operations for Q2 2013 increased by 21% to US$ 9.5 million, as compared to US$ 7.8 million for Q2 2012, and increased by 5%, as compared to US$ 9.1 million in Q1 2013. Similarly, profit from operations for H1 2013 increased by 9% to US$ 18.6 million, as compared to US$ 17.1 million for H1 2012. The increase in profit from operations for Q2 2013 and H1 2013 on a year-over-year and sequential basis was primarily due to higher sales and increased gross profits, offset somewhat by higher operating expenses, as discussed above.

Net finance (expense) income

For Q2 2013 the Group recorded net finance expense of US$ 0.06 million as compared to net finance expense of US$ 0.06 million in Q2 2012 and income of US$ 0.11 million in Q1 2013. For H1 2013 the Group recorded net finance income of US$ 0.06 million as compared to US$ 0.05 million in H1 2012. The sequential increase in finance expense in Q2 2013 was mainly attributed to interest expense related to taxes owed on prior years.

Income tax expense

The statutory corporate tax rate in Israel in 2013 is 25% (25% in 2012). The Group's effective tax rate of approximately 12% in H1 2013 is a blend of the statutory tax rate in Israel and substantial tax benefits, in accordance to tax directives enacted in Israel as of 2011, accorded to our export oriented revenue mix (marginally taxed in 2013 at between 7%-12.5% (10%-15% in 2012), offset somewhat by the higher statutory tax rate (34%) in India. Based on new legislation enacted in July 2013, for 2014 and thereafter the statutory tax rate in Israel will rise to 26.5%) and our export oriented revenue mix will be taxed at between 9%-16%.

For Q2 2013 and H1 2013, the Group recorded income tax expense of US$ 1.2 million and US$ 2.3 million, respectively, as compared to an expense of US$ 1.2 million and US$ 2.7 million for the comparable periods in 2012. The decrease in the income tax expense was due to a lower marginal tax rate in 2013 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).

On November 5, 2012 the Knesset passed an amendment to the Law for the Encouragement of Capital Investments – 1959, which offers a beneficial tax arrangement to companies, such as Sarin, that, as per then current tax law, in the years prior to 2011, received a total exemption from corporate tax on a portion of their profits, but with various limitations on the use of said "exempt profits". The Company has decided to apply this amendment to release all of its exempt profits, making it possible to use these profits without the restrictions that had applied in the past, including their distribution as dividends. As a result, exempt profits in the amount of approximately US$ 30 million will be released. The beneficial corporate tax rate on the release of the exempt profits is 10% (instead of the prevailing statutory corporate tax rate – see above). Accordingly, the Company is expected to record an income tax charge in the amount of approximately US$ 3.0 million in Q3 2013, of which US$ 0.5 million was already accrued in prior periods.

Profit for the period

Net profit for Q2 2013 increased by 26% to US$ 8.3 million as compared to US$ 6.6 million in Q2 2012, and increased by 3% as compared to US$ 8.1 million in Q1 2013. Similarly, net profit for H1 2013 increased by 13% to US$ 16.3 million as compared to US$ 14.4 million in H1 2012. The increase in net profit for Q2 2013 and H1 2013 on a year-over-year basis was primarily due to higher sales, increased gross profits and a more beneficial tax rate, offset somewhat by higher operating expenses, as discussed above. The increase in net profit on a sequential basis was primarily due to higher sales and gross profits, offset somewhat by higher operating expenses, as discussed above.

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. The data from the U.S., jobless claims at a five-year low, job creation exceeding expectations and new house sales and consumer spending expanding, continue to indicate economic expansion. Indeed, the first half of 2013 has been the best first-half period for the U.S. jewellery market since the "Great Recession". Japan's aggressive monetary easing has, as expected, created stimulus to the economy and has propelled it to an annualised growth rate in excess of 4%, well ahead of other developed economies. In the short term, this trend is expected to continue. The economies in the Euro-zone continue to stagnate, but recent moves by the European Central Bank are, hopefully, encouraging the beginning of a recovery, or at least the end of the contraction, as initial data, particularly from France and Germany, seem to indicate. China's growth continues to decelerate, now down to 7.5% from 7.7% (annualised) a quarter ago, and will most likely continue on the same track, as cash and credit shortages impede the world's second largest economy. Lastly, in India the unprecedented devaluation of the Rupee against the U.S. Dollar and bank credit tightening do not bode well for the economy. India's economic growth, which was around 9% annually until two years ago, dropped to 5% in 2012, 4.8% in the first quarter of 2013 and has continued to drop with capital investment growth down to 3.5%, factory output growing by only 2.6% and farm output increasing by only 1.4% in the latest quarter.

b. The economies in the U.S. and Japan, together just under half of the worldwide diamond jewellery consumption are, indeed, expanding, as noted above. However, as the forecast surge in diamond consumption by the growing middle classes in China and India was expected to be the main driver of global polished diamond demand, the decelerating growth in China and dramatically decelerating growth in India are, indeed, causes for concern. In fact, Chow Tai Fook [1929.HK] reported mainland sales down 5% in the year to March, compared with growth of 64% the previous year.

c. Polished diamond prices have remained, for the most part, flat, impeded by the macro-economic concerns noted above, particularly as they relate to the economies of China and India. That said, in the segment of diamonds 30 points and under, prices have increased somewhat, as jewellery manufacturers shift to less expensive designs comprising multiple smaller stones rather than larger solitaires, in response to the economic trends. Rough diamond prices have, however, again had a cumulative disproportionate increase over the past half year. Though sightholders had indicated that they would not entertain the current high prices, let alone further price increases by DeBeers, prices at the July sight again increased marginally. Some US$ 40-50 million (~8%) of the July sight were not taken up by the intended sightholders. Though this is clearly a negative indication, which reflects on the manufacturers' mindset, we believe the scale of the goods left on the table indicates the situation is not as extreme as last year. It is hoped that rough diamond prices will now also stabilise or correct minimally. The variance in rough and polished diamond prices remains, as always, a key issue to be monitored.

d. As has been discussed previously, banks financing the global diamond industry have, in general, become more circumspect in their extension of credit and we expect this will be the norm for the foreseeable future. We continue to witness some hardship on the part of smaller industry players in India striving to attain financing, which has been further exacerbated by the Rupee devaluation. Notwithstanding this, we continue to see that investment in our technology on the part of the more established manufacturers has not softened, as attested to by this quarter's record revenues and Galaxy™ family deliveries (see next section). However, coupled with the macro-economic challenges in China and India and the issue of the margins between rough and diamond prices narrowing, as noted in the above paragraphs, we expect some impairment of our results in the current quarter, though not nearly as severe as last year.

e. Sales of new Galaxy™ family systems were robust this quarter, with deliveries of a record 16 systems to customers, just over half of which were, again, the Solaris™ model. In addition, a lone Galaxy™ Ultra, our new microscope-enhanced system designed to generate and automatically analyse imagery of inclusions nominally beyond the gem labs' definition of a VVS1 stone, including elusive clouds of micron level imperfections, was installed, as planned, at our service centre in Surat, India. Thus, as of 30 June 2013 we have 122 systems deployed worldwide. We are especially encouraged by the fact that nearly half of those systems delivered to customers were to first-time users. Our main Russian competition has not yet been successful in commercially launching their system, and anecdotal reports continue to indicate serious issues of accuracy and ease-of-use impairing their efforts. An Indian player has also announced the development of a competing system, but has not yet demonstrated any actual results. Given that the specific Indian player has a relatively limited installed base of planning systems, we believe this system's commercial threat to our market lead is, at this time, minimal. For H1 2013, overall recurring revenues are virtually 30% of our overall sales.

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. Following its initial launch in Japan by retail chain CIMA in late April, and its seemingly positive acceptance by consumers, we are proud to have had such an esteemed manufacturer as Exelco Belgium also adopt our Sarine Light™ Light Performance grading system, as recently announced. We are encouraged by strong interest in and demand for the system in the Far East (Japan, Taiwan, Korea and Singapore) and the U.S. from high end retailers, as evidenced at the JCK show in Las Vegas in late May / early June. We are also encouraged by the continued interest expressed by leading gem labs in the Asian and U.S. markets. We are confident that we will be able to establish strategic cooperation agreements in the upcoming quarters, as well as continued adoption by wholesale and retail players.

g. As previously indicated, the Sarine Loupe™, though significantly improved over last year's prototype, requires additional refinement in specific areas. Based on the current feedback, we are progressing with the necessary refinements so as to make the Sarine Loupe's™ commercial launch possible in late 2013.

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

The Galaxy™ family of products: Actual running of customer stones through the new microscope enhanced system, the Galaxy™ Ultra (Ultra High Definition) in Surat has commenced, as scheduled, albeit currently at no charge, as we verify, based on those stones actual subsequent polishing, that the system's performance and accuracy are on target. We expect commercialisation of the Galaxy™ Ultra in Surat in Q4, to be followed subsequently by its deployment in additional service centres.

Rough planning products: Sales of the new DiaExpert Atom™ continue robustly and are on track with our expectations. We are currently focusing on making the integration between the inclusion mapping systems, primarily the Solaris, and the planning systems even better, with added automation and increased speed, so as to make that aspect of our penetration barrier to would be competition for the Galaxy™ family even more formidable. We also continue to refine the Advisor™ rough planning software so as to even further optimise the resulting polished diamonds' values.

Facet polishing products: The Instructor™ software and DiaMension™ HD and DiaMark™ HD platforms are the Group's primary products for this industry segment, utilised for grading a polished diamond's Cut and Symmetry, as well as for the quality control of the polishing stage of the manufacturing process. We are continuing to refine these systems' accuracy, so as to avail even more accurate assessment of the polished diamond's parameters, as desired by leading gem labs and manufacturers. Instructor™ 3.0 will commence beta testing at customers in the second half of the year.

Sarine Light™: Development work continues on resolving teething problems which, as is typical, have arisen during the system's commercial launch. This work will be followed by efforts to perfect the in-store system, to better meet retailers' needs in the actual sales environment. Once completed, our focus will be the extension of the Sarine Light's™ capabilities to additional categories of polished diamonds.

Sarine Loupe™: As noted above, the Sarine Loupe™ system is undergoing additional imaging refinement, so as to enhance the polished diamond's appeal (along with the internal inspection capability already provided). We are progressing with the necessary refinements so as to make the Sarine Loupe's™ commercial launch possible in late 2013.

R&D Expenditure Trends: We expect our research and development expenditures to increase going forward, both in absolute terms and as a percentage of sales, as we expand our research and development efforts to new products aimed at enhancing our ability to provide additional value added services to the polished diamond trade. If our efforts are successful, we expect these new services to further contribute to our sales, recurring revenues and our overall gross and net margins.

11. Dividend

(a) Current Financial Period Reported

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

The Board of Directors has declared an interim dividend of US cents 4.0 per ordinary share for the half-year ended June 30, 2013, constituting a US cents 1.5 dividend as per the stated dividend policy, and an additional special interim dividend of US cents 2.5.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

In August 2012, the Board of Directors declared an interim dividend of US cents 1.25 per ordinary share for the half-year ended June 30, 2012.

(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 %
2013	13,744	15%* / 10% **
2012	4,228	15%* / 10% **

*The tax rate for the interim cash dividend for 2013 will be 15% (15% in 2012) for individual Israeli shareholders and 15% (0% in 2012) for Israeli corporate shareholders.
**The tax rate for the dividends for Singaporean shareholders is 10%.

(d) Date Payable

	Amount US$'000
4.9.13	13,744
5.9.12	4,228

(e) Books Closure Date

5:00 PM on:

	Amount US$'000
23.8.13	13,744
24.8.12	4,228

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, 2013, to be false or misleading, in any material aspect.

On behalf of the Directors

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