Sarine 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,		
	2014	2013	Change %	2014	2013	Change %
Revenue	**18,320**	**16,672**	**9.9**	**87,770**	**76,369**	**14.9**
Cost of sales	6,118	4,823	26.9	25,867	21,786	18.7
Gross profit	**12,202**	**11,849**	**3.0**	**61,903**	**54,583**	**13.4**
Research and development expenses	2,694	2,446	10.1	10,616	8,370	26.8
Sales and marketing expenses	3,052	2,742	11.3	12,610	11,047	14.1
General and administrative expenses	1,301	1,527	(14.8)	5,730	5,368	6.7
Profit from operations	**5,155**	**5,134**	**0.4**	**32,947**	**29,798**	**10.6**
Net finance (expense) income	(375)	112	NM	(207)	17	NM
Profit before income tax	**4,780**	**5,246**	**(8.9)**	**32,740**	**29,815**	**9.8**
Income tax expense current period	888	784	13.3	5,510	3,340	65.0
Income tax expense prior periods (exempt profits)	--	--	--	--	2,587	NM
Income tax expense	**888**	**784**	**13.3**	**5,510**	**5,927**	**(7.0)**
Profit for the period	**3,892**	**4,462**	**(12.8)**	**27,230**	**23,888**	**14.0**
Other comprehensive income (expense)						
Remeasurement of defined benefit plan	3	(4)	NM	3	(4)	NM
Foreign currency translation differences from foreign operations	(178)	104	NM	(178)	(580)	(69.3)
Total comprehensive income for the period	**3,717**	**4,562**	**(18.5)**	**27,055**	**23,304**	**16.1**

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,		
	2014	2013	Change %	2014	2013	Change %
Allowance (write back) for doubtful trade receivables	(35)	68	NM	(30)	58	NM
Depreciation and amortisation	1,372	1,048	30.9	4,907	4,083	20.2
Interest (expense) income, net	(56)	12	NM	44	(50)	NM
Exchange rate differences	(319)	100	NM	(251)	67	NM
Warranty provision	5	(22)	NM	47	(20)	NM

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, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Assets				
Property, plant and equipment	11,535	10,670	1,534	1,168
Intangible assets	6,751	8,375	--	--
Investment in equity accounted investee and subsidiaries	--	--	25,465	19,255
Deferred tax assets	2,198	1,355	1,290	650
Total non-current assets	20,484	20,400	28,289	21,073
Inventories	10,070	8,548	6,212	6,268
Trade receivables	13,486	15,838	4,080	2,637
Other receivables	2,522	3,744	1,025	1,578
Short-term investments (bank deposits)	25,145	13,048	17,382	8,534
Cash and cash equivalents	20,352	20,011	7,834	13,303
Total current assets	71,575	61,189	36,533	32,320
Total assets	92,059	81,589	64,822	53,393
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(1,033)	--	(1,033)	--
Share premium, reserves and retained earnings	80,664	67,334	52,325	43,656
Total equity	79,631	67,334	51,292	43,656
Liabilities				
Long-term liabilities	--	159	--	159
Employee benefits	159	184	143	155
Total non-current liabilities	159	343	143	314
Trade payables	2,838	3,333	1,949	2,124
Other payables	8,821	9,792	11,119	7,070
Current tax payable	176	400	--	--
Warranty provision	434	387	319	229
Total current liabilities	12,269	13,912	13,387	9,423
Total liabilities	12,428	14,255	13,530	9,737
Total equity and liabilities	92,059	81,589	64,822	53,393

* No par value

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

Zero borrowings from banks as at December 31, 2014 and December 31, 2013.

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, 2014	2013
Cash flows from operating activities		
Profit for the period	27,230	23,888
Adjustments for:		
Share-based payment expenses	2,707	1,994
Income tax expense	5,510	5,927
Depreciation of property, plant and equipment	2,219	1,647
Amortisation of intangible assets	2,688	2,436
Net finance expenses (income)	207	(17)
Changes in working capital		
Inventories	(1,522)	(1,716)
Trade receivables	2,352	(8,472)
Other receivables	(392)	(68)*
Trade payables	(648)	1,317
Other liabilities	(1,083)	2,349
Employee benefits	(22)	(7)
Income tax paid	(4,963)	(9,647)*
Net cash from operating activities	34,283	19,631
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(3,144)	(7,292)
Restricted cash	--	485
Short-term investments, net	(12,097)	4,099
Capitalisation of development expenses	(1,029)	(1,254)
Interest received	370	293
Net cash used in investing activities	(15,900)	(3,669)
Cash flows used in financing activities		
Proceeds from exercise of share options	966	1,450
Repayments of long-term liabilities	--	(728)
Purchase of Company's shares by the Company	(1,033)	--
Sale of Company's shares by the Company	--	2,527
Dividend paid	(17,398)	(18,079)
Interest paid	(326)	(343)
Net cash used in financing activities	(17,791)	(15,173)
Net decrease in cash and cash equivalents	592	789
Cash and cash equivalents at beginning of the period	20,011	19,155
Exchange rate differences	(251)	67
Cash and cash equivalents at end of the period	20,352	20,011
Non-cash activities		
Increase in intangible assets (goodwill) due to increased contingent consideration with respect to Galatea Ltd. acquisition	35	349

** Reclassification of tax deducted at source by customers in 2013 to conform to 2014 presentation*

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, 2013	--	16,671	(633)	41,213	(1,113)	56,138
Profit for the year ended December 31, 2013	--	--	--	23,888	--	23,888
Other comprehensive expense for the year ended December 31, 2013	--	(4)	(580)	--	--	(584)
Share-based payment expenses	--	1,994	--	--	--	1,994
Exercise of options	--	1,450	--	--	--	1,450
Dormant shares sold	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(18,079)	--	(18,079)
Balance at December 31, 2013	--	21,525	(1,213)	47,022	--	67,334
Balance at January 1, 2014	--	21,525	(1,213)	47,022	--	67,334
Profit for the year ended December 31, 2014	--	--	--	27,230	--	27,230
Other comprehensive income (expense) for the year ended December 31, 2014	--	3	(178)	--	--	(175)
Share-based payment expenses	--	2,707	--	--	--	2,707
Exercise of options	--	966	--	--	--	966
Dormant shares acquired, at cost (590,000 shares)	--	--	--	--	(1,033)	(1,033)
Dividend paid	--	--	--	(17,398)	--	(17,398)
Balance at December 31, 2014	--	25,201	(1,391)	56,854	(1,033)	79,631

* 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, 2013	--	16,671	(633)	23,525	(1,113)	38,450
Profit for the year ended December 31, 2013	--	--	--	17,898	--	17,898
Other comprehensive expense for the year ended December 31, 2013	--	(4)	(580)	--	--	(584)
Share-based payment expenses	--	1,994	--	--	--	1,994
Exercise of options	--	1,450	--	--	--	1,450
Dormant shares sold	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(18,079)	--	(18,079)
Balance at December 31, 2013	--	21,525	(1,213)	23,344	--	43,656
Balance at January 1, 2014	--	21,525	(1,213)	23,344	--	43,656
Profit for the year ended December 31, 2014	--	--	--	22,569	--	22,569
Other comprehensive income (expense) for the year ended December 31, 2014	--	3	(178)	--	--	(175)
Share-based payment expenses	--	2,707	--	--	--	2,707
Exercise of options	--	966	--	--	--	966
Dormant shares acquired, at cost (590,000 shares)	--	--	--	--	(1,033)	(1,033)
Dividend paid	--	--	--	(17,398)	--	(17,398)
Balance at December 31, 2014	--	25,201	(1,391)	28,515	(1,033)	51,292

* 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 31, 2014 No. of shares	September 30, 2014 No. of shares	December 31, 2013 No. of shares
Authorised:			
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	348,671,205	348,463,552	346,047,303
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	590,000	--	--
Total number of issued shares (excluding dormant shares)	348,081,205	348,463,552	346,047,303

For the three months ended December 31, 2014, a total of 207,653 employee share options were exercised into ordinary shares. For the three months ended December 31, 2014, the Company purchased 590,000 ordinary shares at an aggregate cost of US$ 1.03 million.

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 December 31, 2014 included the dormant shares.

Details of changes in share options:

	Average exercise price in US$ per share	Options
At January 1, 2014	0.750	15,110,794
Granted	1.962	3,810,000
Cancelled	1.048	(543,750)
Exercised	0.368	(2,623,902)
At December 31, 2014	1.048	15,753,142

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, 2014, the total number of issued shares excluding dormant shares was 348,081,205 (as at December 31, 2013: 346,047,303). As at December 31, 2014 the total number of dormant shares was 590,000 (as at December 31, 2013: nil).

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 and year ended December 31, 2014, the Company purchased 590,000 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 financial year ended December 31, 2013 have been applied in the preparation for the financial statements for year ended December 31, 2014.

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,	
	2014	2013	2014	2013
Basic earnings per share (US cents)	1.12	1.29	7.83	6.96
Diluted earnings per share (US cents)	1.10	1.27	7.70	6.87
Basic earnings per share (Singapore cents*)	1.48	1.70	10.35	9.20
Diluted earnings per share (Singapore cents*)	1.45	1.68	10.17	9.08

Basic earnings per share for the three months ended December 31, 2014 are calculated based on the weighted average number of 348,471,214 ordinary shares issued during the current period and the equivalent of 345,983,852 ordinary shares during the preceding period.

Diluted earnings per share for the three months ended December 31, 2014 are calculated based on weighted average number of 354,725,636 ordinary shares and outstanding options and the equivalent of 350,847,911 ordinary shares and outstanding options during the preceding period.

Basic earnings per share for the year ended December 31, 2014 are calculated based on the weighted average number of 347,802,133 ordinary shares issued during the current period and the equivalent of 343,276,424 ordinary shares during the preceding period.

Diluted earnings per share for the year ended December 31, 2014 are calculated based on weighted average number of 353,827,610 ordinary shares and outstanding options and the equivalent of 347,811,017 ordinary shares and outstanding options during the preceding period.

* Convenience translation based on exchange rate of US$ 1=S$ 1.3213 at December 31, 2014.

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, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Net asset value (US$ thousands)	79,631	67,334	51,292	43,656
Net asset value per ordinary share (US cents)	22.88	19.46	14.74	12.62
Net asset value per ordinary share (Singapore cents*)	30.23	25.71	19.47	16.67

At December 31, 2014, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2014 of 348,081,205 (not including 590,000 dormant ordinary shares at December 31, 2014). At December 31, 2013, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2013 of 346,047,303 (there were no dormant ordinary shares at December 31, 2013).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3213 at December 31, 2014.

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, 2014, the Group reported record revenues of US$ 87.8 million, record profit from operations of US$ 32.9 million, and record net profit of US$ 27.2 million, as compared to revenues of US$ 76.4 million, profit from operations of US$ 29.8 million, and net profit of US$ 23.9 million for the year ended December 31, 2013. The Group's record results for the year stemmed primarily from increased Galaxy™ family related revenues along with increased sales of our other rough-diamond planning and processing products.

The Group reported record fourth quarter revenues in Q4 2014 of US$ 18.3 million, profit from operations of US$ 5.2 million and net profit of US$ 3.9 million, as compared to revenues of US$ 16.7 million, profit from operations of US$ 5.1 million and net profit of US$ 4.5 million reported in Q4 2013, and as compared to revenues of US$ 20.4 million, profit from operations of US$ 6.8 million and net profit of US$ 5.7 million reported in Q3 2014.

Despite a challenging operating environment in Q4 2014 and on a year-over-year basis, the Group reported record fourth quarter revenues on increased rough-diamond planning and processing products and increased Galaxy™ family related recurring revenues stemming from a broader installed base.

On a sequential quarterly basis, the decrease in revenues, especially in India, was due to a number of factors:

- eroded manufacturer margins associated with disproportionately increased rough diamond prices, and eroded polished diamond prices (due to higher polished inventory levels on the back of restrained demand from markets ex-U.S. and pipeline skewing due to extended certification times);
- reduced working capital credit lines available to our customers;
- decreased volume of rough diamonds in the manufacturing pipeline resulting in less than anticipated Galaxy™ processing revenues, as sightholders left some 10% of the offered goods on the table at the last sight of 2014; and
- the Diwali holiday in India.

Galaxy™ penetration continues to grow, with deliveries in Q4 2014 of 7 Galaxy™ family systems to customers. As of December 31, 2014, the Group has an installed base of 190 Galaxy™ family systems. Overall recurring revenues for the year ended December 31, 2014 (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) represented over 35% of our overall revenue.

Balance Sheet and Cash Flow Highlights

As at December 31, 2014, *cash and cash equivalents* and *short-term investments (bank deposits)* ("**Cash Balances**") increased to US$ 45.5 million as compared to US$ 40.7 million as of September 30, 2014 and US$ 33.1 million as of December 31, 2013. The sequential increase in Cash Balances since September 30, 2014 was primarily due to the Group's Q4 2014 operating results and lower trade receivables, offset somewhat by lower trade and other payables. The US$ 12.4 million increase in Cash Balances since December 31, 2013 follows the Group's record operating results for the year ended December 31, 2014, and after the payment of US$ 17.4 million in dividends in 2014 - the US$ 10.4 million interim dividend for 2014 paid in August 2014 and the US$ 7.0 million final dividend for the fiscal year 2013 paid in May 2014 and the Group's US$ 1.0 million buy-back of its shares in the open market in Q4 2014, offset somewhat by higher inventories, in part associated with the introduction of new products (e.g. GalaxyTM Ultra and polished trade products).

Revenues

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

2014 versus 2013				
Region	**2014**	**2013**	**$ change**	**% change**
India	69,595	58,446	11,149	19.1
Africa	4,011	3,785	226	6.0
Europe	2,381	2,033	348	17.1
North America	1,210	821	389	47.4
Israel	5,060	4,136	924	22.3
Other*	5,513	7,148	(1,635)	(22.9)
Total	87,770	76,369	11,401	14.9

Q4 2014 versus Q3 2014				
Region	**Q4 2014**	**Q3 2014**	**$ change**	**% change**
India	13,507	16,366	(2,859)	(17.5)
Africa	1,139	803	336	41.8
Europe	1,041	315	726	230.5
North America	203	385	(182)	(47.3)
Israel	1,094	1,178	(84)	(7.1)
Other*	1,336	1,315	21	1.6
Total	18,320	20,362	(2,042)	(10.0)

Q4 2014 versus Q4 2013				
Region	**Q4 2014**	**Q4 2013**	**$ change**	**% change**
India	13,507	12,843	664	5.2
Africa	1,139	503	636	126.4
Europe	1,041	579	462	79.8
North America	203	274	(71)	(25.9)
Israel	1,094	1,345	(251)	(18.7)
Other*	1,336	1,128	208	18.4
Total	18,320	16,672	1,648	9.9

* (primarily Asia, excluding India)

The Group reported record revenues for the year ended December 31, 2014 of US$ 87.8 million, an increase of 15% as compared to revenues of US$ 76.4 million for the year ended December 31, 2013. The Group's record for the year stemmed primarily from increased Galaxy™ family related revenues, along with increased sales of our other rough diamond planning and processing products. The increase in revenues was across most geographic segments, save the Far East (included in Other).

The Group reported record fourth quarter revenues in Q4 2014 of US$ 18.3 million as compared to revenues of US$ 16.7 million reported in Q4 2013 and US$ 20.4 million in Q3 2014. On a year-over-year basis, the increase in revenues, despite the challenging environment, was primarily due to increased traditional diamond manufacturing equipment sales, in particular the recently released Quazer™ 3 laser cutting system and increased Galaxy™ family related recurring revenues from a broader installed base. On a sequential basis, the decrease in revenues was primarily due to a decline in recurring revenues, which resulted from the Diwali holiday in India and a decreased volume of rough diamonds entering the manufacturing pipeline.

Cost of sales and gross profit

Cost of sales for the year ended December 31, 2014 increased by 19% to US$ 25.9 million as compared to US$ 21.8 million for the year ended December 31, 2013, with a gross profit margin of 71% in both 2014 and 2013. The increase in the cost of sales on a year-over-year basis was due primarily to increased sales volumes.

Cost of sales for Q4 2014 increased by 27% to US$ 6.1 million as compared to US$ 4.8 million for Q4 2013, with gross profit margins of 67% in Q4 2014 versus 71% in Q4 2013. The increase in the cost of sales and decline in gross profit margin on a year-over-year basis was due to increased sales volumes, and composition of product mix, respectively. On a sequential basis, the gross profit margin was 67% in Q4 2014 as compared to 70% in Q3 2014. The sequential decline in gross profit margin was due to lower sales volumes, and composition of product mix, as well as increased amortisation expense due to the commercialisation of the Sarine Loupe™.

Research and development expenses

Research and development expenses for the three months and year ended December 31, 2014 and for the comparable periods are shown in the table below. Sarine Loupe™ system expenditures were capitalised through September 30, 2014 (in compliance with IFRS).

US$ (thousands)	Q4 2014	Q4 2013	Q3 2014	2014	2013
R&D expenses as reported	2,694	2,446	2,649	10,616	8,370
Capitalised R&D costs	--	287	314	1,029	1,254
Total R&D costs incurred	2,694	2,733	2,963	11,645	9,624

The increase in research and development costs for the year ended December 31, 2014 is in line with the Group's expanded strategic research and development plans and is primarily related to the Group's development of new products and services for polished diamonds along with other programs (see Section 10).

Research and development costs in Q4 2014 decreased on a year-over-year and sequential basis. The modest decrease in costs on a year-over-year basis was primarily due to lower outsourcing as compared to Q4 2013, while on a sequential basis the decrease in costs was primarily related to lower compensation expenses, in part due to the appreciation of the US Dollar against the New Israeli Shekel (by over 13% in the last five months of 2014).

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2014 increased by 14% to US$ 12.6 million as compared to US$ 11.0 million in 2013. Sales and marketing expenses for Q4 2014 increased by 11% to US$ 3.1 million as compared to US$ 2.7 million for Q4 2013. The year-over-year increase in sales and marketing expenses for the three months and year ended December 31, 2014 was primarily due to increased business development and marketing expenses associated with activities related to the launch of our Sarine Loupe™, and establishment of the necessary sales and marketing infrastructures for the new polished diamond offerings. On a sequential basis, sales and marketing expenses for Q4 2014 declined by 5% to $3.1 million as compared to US$ 3.2 million in Q3 2014 due to lower compensation expenses, in part due to the appreciation of the US Dollar against the NIS as noted above.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2014 increased by 7% to US$ 5.7 million. The increase in general and administrative expenses on a year-over-year basis was primarily due to increased non-cash option-based compensation. General and administrative expenses for Q4 2014 decreased by 15% to US$ 1.3 million as compared to US$ 1.5 million in Q4 2013 due to lower legal-related fees and lower incentive-based compensation expenses. On a sequential basis, Q4 2014 general and administrative expenses decreased by 16% to US$ 1.3 million as compared to US$ 1.6 million in Q3 2014 primarily due to lower compensation expenses, in part due to the appreciation of the US Dollar against the NIS, as noted above, and decreased third-party administrative fees.

Profit from operations

Profit from operations for the year ended December 31, 2014, increased by 11% to a record US$ 32.9 million as compared to US$ 29.8 million for the year ended December 31, 2013. Profit from operations for Q4 2014 increased slightly to US$ 5.2 million as compared to US$ 5.1 million for Q4 2013. The increase in profit from operations on a year-over-year basis was primarily due to higher sales and increased gross profits, offset by higher operating expenses, as detailed above. Profit from operations for Q4 2014 decreased by 25% to US$ 5.2 million as compared to US$ 6.8 million for Q3 2014. The decrease in profit from operations on a sequential basis was primarily due to lower revenues, as noted.

Net finance (expense) income

Net finance expense for the year ended December 31, 2014 was US$ 0.2 million as compared to negligible income of US$ 0.02 million for the year ended December 31, 2013. For Q4 2014 the Group recorded net finance expense of US$ 0.4 million as compared to income of US$ 0.1 million for Q4 2013. The increase in financial expense on a year-over-year basis was primarily due to an interest charge of US$ 0.13 million relating to a prior year tax assessment under dispute in India, as well as exchange rate differences related to the depreciation in value of our New Israeli Shekel (NIS) denominated bank deposits and our net NIS denominated income tax receivables, following the continued appreciation of the US$ versus the NIS.

Income tax expense

The statutory corporate tax rate in Israel in 2014 is 26.5% (25% in 2013). The Group’s effective current period tax rate was approximately 16.8% for the year ended December 31, 2014. The Group’s tax rate is a blend of the statutory tax rate in Israel and substantial tax benefits, in accordance with tax directives enacted in Israel as of 2011, accorded to our export-oriented revenue mix (marginally taxed in 2014 at between 9%-16% (7%-12.5% in 2013)), offset somewhat by the higher statutory tax rate (34%) in India.

The Group recorded an income tax expense of US$ 5.5 million for the year ended December 31, 2014, as compared to an expense of US$ 5.9 million for the year ended December 31, 2013. However, income tax expense for the year ended December 31, 2013, included a one-time US$ 2.6 million charge (income tax expense for prior periods) associated with the release of approximately US$ 30 million in exempted profits, which made it possible to use and / or disburse these profits as dividends without the restrictions that had applied in the past. It also included a benefit of US$ 0.4 million due to the revaluation of deferred tax assets associated with the enactment in 2013 of the higher tax rates in Israel for 2014 and beyond. Excluding the impact in 2013 of income tax expense associated with exempted profits and the revaluation of deferred tax assets, the Group's blended tax rate in 2014 increased as compared to 2013 as a result of the higher tax rates in effect in 2014 and also due to the relative mix of certain subsidiary losses associated with the Group's new activities and expansion.

For Q4 2014, the Group recorded an income tax expense of US$ 0.9 million, as compared to an expense of US$ 0.8 million in Q4 2013 primarily due to a higher effective tax rate in Q4 2014 but on lower pre-tax profits. On a sequential basis, the Group recorded an income tax expense of US$ 0.9 million in Q4 2014 as compared to an expense of US$ 1.1 million in Q3 2014, primarily due to lower pre-tax profits, as discussed above.

Profit for the period

Net profit for the year ended December 31, 2014 increased by 14% to a record US$ 27.2 million, as compared to US$ 23.9 million for the year ended December 31, 2013. The increase in net profit on a year-over-year basis was primarily due to higher sales and lower combined taxes, offset by higher operating expenses, as detailed above.

Net profit for Q4 2014 decreased by 13% to US$ 3.9 million as compared to US$ 4.5 million for Q4 2013. The decrease in net profit on a year-over-year basis was primarily due to somewhat higher operating expenses, net finance expenses and tax rate, against higher sales and gross profits, as noted above. The decrease in net profit on a sequential basis was primarily due to lower revenues, as noted.

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. Global economic indicators remain overall stable, with generally positive developments in the U.S., still the largest single market for polished diamonds, where diamond jewellery buying indeed expanded for much of 2014, but, as there has been mixed feedback on U.S. Christmas sales, seems to have ended the year only marginally up. Conversely, Valentine's Day 2015 sales seem to have been best since records started being kept in 2010. The European market remains tepid as does the market in Japan. The polished trade's anticipation is mostly focused on renewed demand from the Chinese market, in general, and the Chinese New Year season in particular, seeking indications that more balanced demand is returning to the global diamond markets.

b. The reduction of liquidity in the industry mid-stream, the Indian diamond manufacturers, remains a key issue for now. It has resulted from reduced bank credit, as reported upon in our third quarter announcement of 9 November 2014, compounded both by razor-slim profit margins, as the high price of rough diamonds is clearly out of sync with eroded polished diamond prices (see [c] below), and high inventory levels due to overall market conditions along with still long certification lead-times, though greatly improved from the mid-2014 peaks of nearly five months. It should be noted that this decline in certification lead-times, though clearly an important positive development, has actually exacerbated the high inventory levels issue temporarily, as stones submitted for certification at various time points during 2014 returned concurrently towards year-end.

c. Polished diamond prices ended 2014 down, as the minor erosions on which we reported in our third quarter announcement became more pronounced in the fourth quarter. A possible explanation for this was the need of Indian diamond manufacturers to sell at reduced prices in order to service their credit lines, as inventories increased and available credit decreased (see [b] above). Rough diamond prices increased overall for 2014 out of sync with market trends, continuing to increase in the last quarter of 2014 regardless of the polished diamond market trends. This drove DeBeers sightholders to leave some 10% of the goods on the table at the last sight of 2014. Though DeBeers reduced prices marginally in the January 2015 sight, it appears that this was less than the necessary correction, as an even more significant 25%, as reported by some industry pundits, of the sight were deferred by sightholders, thus bringing the January sight to be the lowest January sight in a decade (except 2009), less by some 30% than the average January sight. It would seem apparent that a significant correction in rough diamond prices is overdue. In fact rough goods are reportedly selling at spot auctions by medium-size diamond miners for some 15 to 20 percent below the prices quoted by DeBeers. The imbalance of market forces in the diamond industry notwithstanding, we anticipate that rough prices will be reduced further in the near term, as is warranted to restore the profitability in the industry's midstream.

d. Liquidity, rough vs. polished prices and inventory overhang, all as discussed above, have resulted in an overall negative sentiment in the midstream of the diamond industry, and manufacturers have reduced output by some 20 – 30% accordingly, buying the minimum amounts of rough needed to just keep their employees gainfully employed. As was anticipated (and discussed in our previous announcements), our business activity continues to be affected significantly as 2015 begins. Though we originally expected the effects of these issues to carry over from 2014 primarily only into the first quarter of this year, barring a more rapid improvement in the underlying industry conditions and resulting sentiment, we anticipate their effects may linger for a few more months. We remain optimistic that as the overdue correction in rough prices occurs and polished diamond inventories come down, due to reduced rough sights and the corresponding reduction in polished output taken up by the existing and seemingly strengthening consumer demand in the U.S., our business activity will regain the growth momentum demonstrated in the first half of 2014. We further believe that, short-term issues notwithstanding, the new services we are introducing this year and next based on the Sarine Light™ and Sarine Loupe™ (see below), which offer the midstream more efficient ways in which to move their inventory of polished diamonds faster and at lower cost, will provide additional relief to our customers as well as significant impetus to extended long-term growth for the Group.

e. With continued unusually weak (due to the issues noted above) deliveries of only 7 new Galaxy™ family systems during the last quarter of 2014, the majority of which were of the Solaris™ model, overall deliveries for 2014 totalled 48, somewhat less than hoped, though a record year all the same. As of 31 December 2014 we thus had 190 systems deployed worldwide. Our total recurring revenue stream, including Galaxy™-related, for 2014 continued to rise year over year, and accounted for over 35% of our revenue for the year. We continue to closely monitor our various would-be competitors' activities. The solution introduced by our Russian competitor earlier this year has still not realised any commercial sales (though some services are being offered), and promised improvements have not been implemented. The system introduced by the Indian competitor appears to have been aborted, as work on the prototype system has seemingly been abandoned. At a trade show in India in December two new competitors indicated their intent to launch competing systems, one Israeli and another Indian, but as of this writing nothing has materialised. Given our clearly superior integrative solution with our extensive installed base of planning systems, the Group expects to realise significant deliveries of Galaxy™ and Solaris™ systems in 2015, when industry sentiment returns to normal.

f. Marketing efforts of the Sarine Light™ and the Sarine Loupe™ imaging services, which are truly complementary, have been unified, as we are seeing more and more evidence that the distinction between B2B and B2C commerce is becoming outmoded. Furthermore, the recognition that imaging technologies have become essential marketing and sale tools, having the capacity to "show and tell" the polished gem and not just present dry tabular non-intuitive data, has become near-ubiquitous amongst e-tailers and retailers alike. We have thus launched a new marketing and sales offering, the Sarine Profile™, which is unique in that it offers on one concise display "page", all the benefits of our diverse cutting-edge technologies along with other user-opted data, such as the stone's certificate, promotional material, etc. The DiaMension™ HD / Axiom proportion measuring systems provide geometrical proportions and Hearts and Arrows depiction, the Sarine Light™ generates light performance data and the Sarine Loupe™ offers various optional levels of video imaging and inspection. The customer pays for those services chosen for inclusion on the promotional Sarine Profile™ page, on a per-stone basis, depending, as with the Galaxy™, on whether the imaging is done on a machine owned by the customer or at a service centre. We are seeing significant interest in this new offering in the markets in which it has already launched (primarily India, Israel, Japan and the U.S.) and we expect that 2015, prevailing industry conditions allowing, will indeed see material revenues generated.

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

The Galaxy™ family of products: As we have now successfully introduced systems covering stones from just under a carat rough and up (the Solaris™, the Galaxy™ and the Galaxy™ XL), and as we have also successfully addressed the need for high-resolution scanning (the Galaxy™ Ultra), our research and development efforts relating to our inclusion scanning family of systems is now turning to the smaller stone sizes. The next stone range we are aiming to address is 20 - 85 points rough, generally corresponding to polished stone sizes of 7 – 20 points. As indicative of the potentially addressable market at these stone sizes, it should be noted that 50 million polished stones of 7 – 20 points are manufactured annually, fully fourfold the aggregate numbers of all polished stones over 20 points in size, though it should be remembered that there is not a one-to-one correlation between the number of polished stones and that of rough stones. To achieve the return on investment necessary for our customers to adopt the planned product, our development focus will be on lowering the total cost of ownership (TCO). Initial results indicate this is definitely achievable. Commercialisation is planned for late 2015 or 2016.

Rough planning products: We continue to focus on bolstering the added value realised by utilising our planning systems in conjunction with our inclusion mapping systems. This has been a winning proposition both underpinning our inclusion systems' market penetration and leading to our capturing an increased share in the planning systems market. Indeed, we have continued seeing expansion of our planning products sales, notwithstanding their being a fully mature product line. We continue to refine the Advisor™ rough planning software with unique innovative capabilities for planning, so to even further optimise the resulting polished diamonds' values and the value proposition of our planning offerings. We are also addressing critical issues of IP protection in the next release of the Advisor™, by implementing Cloud technology, so as to better thwart any attempt to copy or abuse our IP. Currently in beta-testing, the commercial release of Advisor™ 6.0 is planned for Q2 2015.

Facet polishing products: Sales of the new DiaMension™ Axiom platform, enabling more comprehensive geometric data measurements relating to the polished diamond, at a new and unmatched level of accuracy, have commenced. The initial system has been delivered to Tiffany and Company in the U.S., to whose specifications the system was developed, and additional systems have been sold to leading customers in India, Israel and the U.S. The system is also currently being evaluated by industry-leading gemmological laboratories. We expect the DiaMension™ Axiom's introduction will lead to a refined definition and the automated grading of a polished diamond's Symmetry, and thus create a new business opportunity for the Group. We will also be introducing in 2015 unprecedented modelling of fancy shaped polished diamonds, as well as additional key parameters, such as girdle features, etc. To support the new capabilities of the DiaMension™ Axiom, we will be assisting the industry in converting their systems this year from running the older DiaVision™ software to the newer Instructor™.

Sarine Light™: The in-store tablet-based display system, to better meet retailers' needs for the online video comparison of various stones' light performance in the actual sales environment, has been completed. Furthermore, modified round shapes have already been added to the system's capabilities. Work continues now on the Princess shape, to be completed in Q1 2015, followed by Cushion shaped stones next. In addition, we plan this year to integrate our light performance grading technology with our rough diamond planning systems and our polished diamond facet polishing quality control systems (i.e., the Advisor™ and Instructor™ software packages), so as to allow manufacturers to add light performance optimisation to their polished diamonds manufacturing criteria. We are also researching another derivative functionality from the Sarine Light™ system, which we believe will, in the future, add significantly to the service's value proposition.

Sarine Loupe™: The Sarine Loupe™ system's enhancement continues. The expansion of the addressable stone size down to 30 points has been completed (in Q1 2015). We are currently focusing on the integration of even more sophisticated control software for the lighting and camera subsystems, to enable the derivation on the Sarine Loupe™ platform of additional critical information defining the imaged stone's key characteristics. We are confident that the ability to derive these additional data defining the imaged polished diamond will differentiate our offering from the growing competition in the imaging market and add significant value to the Sarine Loupe™ platform. We expect to have tangible results in the second half of 2015.

Allegro™: The Allegro™ system, a new technology in development since last year, is similar in concept to Sarine's first product, Robogem, initially launched in the late 1980s. It is a high-speed highly accurate machine which processes pre-formed (i.e., the initial suggested location of the table has been manually identified) gemstones (not diamonds) and transforms the rough stone directly into a fully shaped (unfinished) gem. It thus comprises partial functionality of our rough planning systems, also taking into consideration market requirements, as well as (non-laser) shaping abilities. The Allegro™ produces extremely accurately sized stones, with minimal unnecessary weight loss, high throughput and no human error. When measured by the number of stones handled annually, the manufacturing market for other gemstones is significantly larger in volume than that of diamonds, albeit not by dollar value, of course. It is our intent to offer the system's capabilities as an inexpensive (equating or below the cost to manually manufacture the stone) per-stone service and to thus create a new recurrent revenue stream. We expect beta-rollout in Q2 2015, with commercialisation late in 2015 or early 2016.

11. Dividend

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

On February 22, 2015, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 2.0 cents per ordinary share for the full year ended December 31, 2014.

Going forward, for 2015, the Board has decided to increase the dividend policy to US 2.5 cents every six months, an increase of 25%, subject to semi-annual Board approval, the Annual General Meeting's approval of final dividend and subject to improved industry sentiment and 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 26, 2014, the Board of Directors recommended the Annual General Meeting approve a final dividend of US cent 2.0 per ordinary share for the full year ended December 31, 2013

(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 %
2014	6,962	20%/10%* / 10% **
2013	6,972	15%* / 10% **

*The tax rate for the final cash dividend for 2014 will be 20% (15% in 2013) for individual Israeli shareholders and 0% (15% in 2013) for Israeli corporate shareholders.
**The tax rate for the dividends for Singaporean shareholders is 10%.

(d) Date Payable

	Amount US$'000
07 May 2015***	6,962
15 May 2014	6,972

(e) Books Closure Date

5:00 PM on:

	Amount US$'000
27 April 2015***	6,962
7 May 2014	6,972

***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
				2014			
				US$'000			
External revenues	69,595	4,011	2,381	1,210	5,060	5,513	87,770
Unallocated expenses							54,823
Profit from operations							32,947
Net finance expense							(207)
Income tax expense							(5,510)
Profit for the year							27,320

	India	Africa	Europe	North America	Israel	Others	Consolidated
				2013			
				US$'000			
External revenues	58,446	3,785	2,033	821	4,136	7,148	76,369
Unallocated expenses							46,571
Profit from operations							29,798
Net finance income							17
Income tax expense							(5,927)
Profit for the year							23,888

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.

17. Breakdown of sales.

	2014 US$'000	2013 US$'000
Revenue reported for:		
First half-year ended 30 June	49,088	42,348
Second half-year ended 31 December	38,682	34,021
	87,770	76,369
Profit for the period:		
First half-year ended 30 June	17,647	16,343
Second half-year ended 31 December	9,583	7,545
	27,230	23,888

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 and Special	17,388*	20,772

*Pending Annual General Meeting Approval.

19. Interested Person Transactions

The Company confirms that, during the year ended December 31, 2014, there was no person occupying any managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

In September 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 additional 24 month period was US$ 8,615 per month. As of September 2013, the lease was extended for an additional two year period. The monthly rent for first year period is US$ 10,069 per month, and the monthly rent for the second year period is US$ 10,875 per month. For the years ended December 31, 2014 and 2013, the annual rent paid was approximately US$ 124,000 and US$ 109,000, respectively.

On behalf of the Directors

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