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 June 30,			Group Six months ended June 30,		
	2016	2015	Change %	2016	2015	Change %
Revenue	**20,870**	**14,421**	**44.7**	**36,357**	**26,577**	**36.8**
Cost of sales	6,442	3,989	61.5	11,465	8,137	40.9
Gross profit	**14,428**	**10,432**	**38.3**	**24,892**	**18,440**	**35.0**
Research and development expenses	2,744	2,732	0.4	5,296	5,408	(2.1)
Sales and marketing expenses	3,658	3,337	9.6	6,768	6,550	3.3
General and administrative expenses	1,280	997	28.4	2,398	2,310	3.8
Profit from operations	**6,746**	**3,366**	**100.4**	**10,430**	**4,172**	**150.0**
Net finance income	208	66	215.2	354	39	807.7
Profit before income tax	**6,954**	**3,432**	**102.6**	**10,784**	**4,211**	**156.1**
Income tax expense	(912)	(753)	21.1	(1,780)	(661)	169.3
Profit for the period	**6,042**	**2,679**	**125.5**	**9,004**	**3,550**	**153.6**
Foreign currency translation differences from foreign operations	(153)	(131)	16.8	(147)	(55)	167.3
Total comprehensive income for the period	**5,889**	**2,548**	**131.1**	**8,857**	**3,495**	**153.4**

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,		
	2016	2015	Change %	2016	2015	Change %
(Write back) allowance for doubtful trade receivables	(44)	47	NM	(24)	36	NM
Depreciation and amortization	954	855	11.6	1,891	2,124	(11.0)
Interest income, net	55	36	52.8	159	59	169.5
Exchange rate differences	153	30	410.0	195	(20)	NM
Warranty provision	34	(91)	NM	43	(29)	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	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Assets				
Property, plant and equipment	13,022	12,413	2,140	1,689
Intangible assets	8,248	7,812	--	--
Investment in equity accounted investee and subsidiaries	--	--	44,461	47,141**
Deferred tax assets	3,108	3,157	1,344	1,423
Total non-current assets	24,378	23,382	47,945	50,253
Inventories	8,208	10,146	5,312	6,673
Trade receivables	15,322	11,337	4,643	3,164
Other receivables	4,565	3,707	3,364	1,727
Short-term investments (bank deposits)	11,847	13,298	7,626	7,532
Cash and cash equivalents	25,587	19,298	15,108	9,268
Total current assets	65,529	57,786	36,053	28,364
Total assets	89,907	81,168	83,998	78,617
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(2,366)	(2,366)	(2,366)	(2,366)
Share premium, reserves and retained earnings	78,813	73,897	78,813	73,897**
Total equity	76,447	71,531	76,447	71,531
Liabilities				
Employee benefits	140	138	131	129
Total non-current liabilities	140	138	131	129
Trade payables	4,452	2,359	3,105	1,375
Other payables	8,057	6,623	4,065	5,363
Current tax payable	462	211	--	--
Warranty provision	349	306	250	219
Total current liabilities	13,320	9,499	7,420	6,957
Total liabilities	13,460	9,637	7,551	7,086
Total equity and liabilities	89,907	81,168	83,998	78,617

* No par value
** Retrospective application regarding initial application of Amendment to IAS 27: Equity Method in Separate Financial Statements.

1(b)(ii) Aggregate amount of Group's borrowings and debt securities.
Zero borrowings from banks as at June 30, 2016 and December 31, 2015.

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 Quarter ended June 30,		Group Six months ended June 30,	
	2016	2015	2016	2015
Cash flows from operating activities				
Profit for the period	6,042	2,679	9,004	3,550
Adjustments for:				
Share-based payment expenses	472	332	869	1,052
Income tax expense	912	753	1,780	661
Depreciation of property, plant and equipment	562	479	1,123	984
Amortisation of intangible assets	392	376	768	1,140
Net finance income	(208)	(66)	(354)	(39)
Changes in working capital				
Inventories	776	352	2,087	(490)
Trade receivables	(1,624)	(3,124)	(3,985)	686
Other receivables	138	(682)	(402)	(653)
Trade payables	1,720	129	2,093	(535)
Other liabilities	1,512	26	1,416	(1,190)
Employee benefits	(3)	8	2	5
Income tax received (paid), net	(2,246)	649	(1,936)	(1,763)
Net cash from operating activities	8,445	1,911	12,465	3,408
Cash flows (used in) from investing activities				
Acquisition of property, plant and equipment	(1,306)	(1,114)	(1,961)	(1,424)
Acquisition of intellectual property	--	(3,000)	--	(3,000)
Acquisition of activity	(1,210)	--	(1,210)	--
Short-term investments, net	(4,521)	6,986	1,451	6,884
Interest received	55	67	159	127
Net cash(used in) from investing activities	(6,982)	2,939	(1,561)	2,587
Cash flows from financing activities				
Proceeds from exercise of share options	10	183	434	803
Purchase of Company's shares by the Company	--	(948)	--	(948)
Dividend paid	(5,244)	(6,982)	(5,244)	(6,982)
Interest paid	--	(31)	--	(68)
Net cash from financing activities	(5,234)	(7,778)	(4,810)	(7,195)
Net (decrease) increase in cash and cash equivalents	(3,771)	(2,928)	6,094	(1,200)
Cash and cash equivalents at beginning of the period	29,205	22,030	19,298	20,352
Exchange rate differences	153	30	195	(20)
Cash and cash equivalents at end of the period	25,587	19,132	25,587	19,132

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, 2015	--	25,201	(1,391)	56,854	(1,033)	79,631
Profit for the period ended June 30, 2015	--	--	--	3,550	--	3,550
Other comprehensive income for the period ended June 30, 2015	--	--	(55)	--	--	(55)
Share-based payment expenses	--	1,052	--	--	--	1,052
Exercise of options	--	803	--	--	--	803
Dormant shares, acquired at cost (663,100)	--	--	--	--	(948)	(948)
Dividend paid	--	--	--	(6,982)	--	(6,982)
Balance at June 30, 2015	--	27,056	(1,446)	53,422	(1,981)	77,051
Balance at January 1, 2016	--	27,402	(1,730)	48,225	(2,366)	71,531
Profit for the period ended June 30, 2016	--	--	--	9,004	--	9,004
Other comprehensive income for the period ended June 30, 2016	--	--	(147)	--	--	(147)
Share-based payment expenses	--	869	--	--	--	869
Exercise of options	--	434	--	--	--	434
Dividend paid	--	--	--	(5,244)	--	(5,244)
Balance at June 30, 2016	--	28,705	(1,877)	51,985	(2,366)	76,447

* 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, 2015 before retrospective application of amended IAS 27**	--	25,201	(1,391)	28,515	(1,033)	51,292
Effect of retrospective application IAS 27**	--	--	--	28,339	--	28,339
Revised balance at January 1, 2015**	--	25,201	(1,391)	56,854	(1,033)	79,631
Profit for the period ended June 30, 2015, as reported	--	--	--	21,466	--	21,466
Effect of retrospective application IAS 27**	--	--	--	(17,916)	--	(17,916)
	--	--	--	3,550	--	3,550
Other comprehensive income for the period ended June 30, 2015	--	--	(55)	--	--	(55)
Share-based payment expenses	--	1,052	--	--	--	1,052
Exercise of options	--	803	--	--	--	803
Dormant shares, acquired at cost (663,100)	--	--	--	--	(948)	(948)
Dividend paid	--	--	--	(6,982)	--	(6,982)
Balance at June 30, 2015 after retrospective application**	--	27,056	(1,446)	53,422	(1,981)	77,051
Balance at January 1, 2016 before retrospective application of amended IAS 27**	--	27,402	(1,730)	37,175	(2,366)	60,481
Effect of retrospective application IAS 27**	--	--	--	11,050	--	11,050
Revised balance at January 1, 2016**	--	27,402	(1,730)	48,225	(2,366)	71,531
Profit for the period ended June 30, 2016	--	--	--	9,004	--	9,004
Other comprehensive income for the period ended June 30, 2016	--	--	(147)	--	--	(147)
Share-based payment expenses	--	869	--	--	--	869
Exercise of options	--	434	--	--	--	434
Dividend paid	--	--	--	(5,244)	--	(5,244)
Balance at June 30, 2016 after retrospective application**	--	28,705	(1,877)	51,985	(2,366)	76,447

* No par value

** Retrospective application regarding initial application of Amendment to IAS 27: Equity Method in Separate Financial Statements.

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, 2016 No. of shares	March 31, 2016 No. of shares	June 30, 2015 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	351,196,254	351,169,691	350,354,761
Dormant shares (out of the issued and fully paid share capital):			
Ordinary shares of no par value	1,583,100	1,583,100	1,253,100
Total number of issued shares (excluding dormant shares)	349,613,154	349,586,591	349,101,661

For the three months ended June 30, 2016, 26,563 share options were exercised into ordinary shares. For the three months ended June 30, 2016, the Company did not purchase any of its 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, 2016, March 31, 2016 and June 30, 2015 included 1,583,100, 1,583,100 and 1,253,100 dormant shares, respectively.

Details of changes in share options:

	Average exercise price in US$ per share	Options
At January 1, 2016	1.129	11,248,399
Granted	1.085	10,120,000
Cancelled	1.379	(289,029)
Exercised	0.692	(627,431)
At June 30, 2016	1.158	20,451,939

At June 30, 2016, the average exercise price in Singapore dollars per share was S$ 1.562, based on an exchange rate of US$ 1 = S$ 1.349.

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, 2016, the total number of issued shares excluding dormant shares was 349,613,154 (as at December 31, 2015- 348,985,723). As at June 30, 2016, the total number of dormant shares was 1,583,100 (as at December 31, 2015- 1,583,100).

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 and six months ended June 30, 2016, 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 financial year ended December 31, 2015 have been applied in the preparation for the financial statements for period ended June 30, 2016, except for the adoption of an Amendment to IAS 27: Equity Method in Separate Financial Statements.

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 amendment to IAS 27 allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate Company financial statements, applied retrospectively. This amendment does not have any impact on the Group's consolidated financial statements. The adoption will result in the Company's shareholders equity being equal with the Group's shareholders equity.

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,	
	2016	2015	2016	2015
US cents				
Basic earnings per share	1.73	0.77	2.58	1.02
Diluted earnings per share	1.73	0.76	2.58	1.01
Singapore cents*				
Basic earnings per share	2.33	1.04	3.48	1.38
Diluted earnings per share	2.33	1.03	3.48	1.36

Basic earnings per share for the three months ended June 30, 2016 are calculated based on the weighted average number of 349,599,452 ordinary shares issued during the current period and the equivalent of 349,079,004 ordinary shares during the preceding period.

Diluted earnings per share for the three month ended June 30, 2016 are calculated based on the weighted average number of 349,608,862 ordinary shares and outstanding options and the equivalent of 351,144,539 ordinary shares and outstanding options during the preceding period.

Basic earnings per share for the six months ended June 30, 2016 are calculated based on the weighted average number of 349,339,825 ordinary shares issued during the current period and the equivalent of 348,767,046 ordinary shares during the preceding period.

Diluted earnings per share for the six months ended June 30, 2016 are calculated based on weighted average number of 349,455,859 ordinary shares and outstanding options and the equivalent of 352,719,837 ordinary shares during the preceding period.

* Convenience translation based on exchange rate of US$ 1= S$ 1.349 at June 30, 2016.

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, 2016	December 31, 2015	June 30, 2016	December 31, 2015
Net asset value (US$ thousands)	76,447	71,531	76,447	71,531
Net asset value per ordinary share (US cents)	21.87	20.50	21.87	20.50
Net asset value per ordinary share (Singapore cents*)	29.50	27.65	29.50	27.65

At June 30, 2016, net asset value per share is calculated based on the number of ordinary shares in issue at June 30, 2016 of 349,613,154 (not including 1,583,100 dormant ordinary shares at June 30, 2016). At December 31, 2015, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2015 of 348,985,723 (not including 1,583,100 dormant ordinary shares at December 31, 2015).

* Convenience translation based on exchange rate of US$ 1=S$ 1.349 at June 30, 2016.
** Retrospective application regarding initial application of Amendment to IAS 27: Equity Method in Separate Financial Statements.

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's revenues and operating performance showed significant improvement in Q2 2016 and H1 2016 following the improvement already manifested late in 2015 and in Q1 2016. The Group reported in Q2 2016 revenues of US$ 20.9 million, profit from operations of US$ 6.7 million, and net profit of US$ 6.0 million, as compared to revenues in Q2 2015 of US$ 14.4 million, profit from operations of US$ 3.4 million and net profit of US$ 2.7 million, and also as compared to revenues in Q1 2016 of US$ 15.5 million, profit from operations of US$ 3.7 million and net profit of US$ 3.0 million. The Group realised in H1 2016 revenues of US$ 36.4 million, profit from operations of US$ 10.4 million, and net profit of US$ 9.0 million, as compared to revenues in H1 2015 of US$ 26.6 million, profit from operations of US$ 4.2 million and net profit of US$ 3.6 million.

The continued improvement in our business on both year-over-year and sequential bases, as further elaborated on in section 10, was primarily due to more positive sentiment in the midstream of the diamond industry driven by:

- manufacturer profitability stemming from reduced rough prices on the backdrop of overall stable polished prices;
- stable consumer demand from most markets;
- improved midstream liquidity following the 2015 destocking.

With record deliveries in Q2 2016 of 20 Galaxy™ family systems to customers, comprising ten of the new Meteor™ small stone machines, eight Solaris™ machines and two Galaxy™ Ultra systems, up from 18 in Q1 2016 and 6 in Q2 2015, the Group had an installed base of 253 Galaxy™ family systems as of June 30, 2016. Overall recurring revenues for H1 2016 (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) represented about 40% of our overall revenue. Q2 2016 recurring revenues saw an approximate 20% increase over Q2 2015 and over Q1 2016 and H1 2016 recurring revenues saw an approximate 12% increase on a year-over-year basis, all due to increased diamond manufacturing activity.

Balance Sheet and Cash Flow Highlights

As at June 30, 2016, cash and cash equivalents and short-term investments (bank deposits) ("**Cash Balances**") increased to US$ 37.4 million as compared to US$ 32.6 million as of December 31, 2015. The increase in Cash Balances was primarily due to the Group's improved operating results, lower inventory levels and higher payables, offset somewhat by the US$ 5.2 million final dividend paid in Q2 2016 for the fiscal year 2015, the US$ 1.2 million purchase in Q2 2016 of DiaMining's app-based point of sale technology for diamonds, gemstones and jewellery (resulting in an equivalent increase in intangible assets), higher trade receivables (on credit to certain customers and higher recurring revenues) and higher other receivables, primarily related to an advance payment of taxes in Israel.

Revenues

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

Q2 2016 versus Q2 2015				
Region	**Q2 2016**	**Q2 2015**	**$ change**	**% change**
India	16,789	10,611	6,178	58.2
Africa	466	691	(225)	(32.6)
Europe	432	717	(285)	(39.7)
North America	612	557	55	9.9
Israel	1,169	816	353	43.3
Other*	1,402	1,029	373	36.2
Total	20,870	14,421	6,449	44.7

H1 2016 versus H1 2015				
Region	**2016**	**2015**	**$ change**	**% change**
India	29,035	19,448	9,587	49.3
Africa	1,029	1,128	(99)	(8.8)
Europe	908	1,488	(580)	(39.0)
North America	1,035	845	190	22.5
Israel	2,227	1,633	594	36.4
Other*	2,123	2,035	88	4.3
Total	36,357	26,577	9,780	36.8

Q2 2016 versus Q1 2016				
Region	**2016**	**2016**	**$ change**	**% change**
India	16,789	12,246	4,543	37.1
Africa	466	563	(97)	(17.2)
Europe	432	476	(44)	(9.2)
North America	612	424	188	44.3
Israel	1,169	1,058	111	10.5
Other*	1,402	720	682	94.7
Total	20,870	15,487	5,383	34.8

*primarily Asia, excluding India

The Group reported significantly increased revenues in Q2 2016 of US$ 20.9 million, as compared to US$ 14.4 million in Q2 2015 and as compared to US$ 15.5 million in Q1 2016. Similarly, the Group realised semi-annual revenues in H1 2016 of US$ 36.4 million as compared to revenues of US$ 26.6 million in H1 2015. The increase in revenues in most geographies, but mainly in India, on a year-over-year basis was primarily due to an approximate 60% increase in diamond manufacturing equipment sales, including Galaxy™ family systems, as well as due to increased recurring revenues, as noted above. Similarly, the increase in revenues on a sequential basis was primarily due to an approximate 45% increase in diamond manufacturing equipment sales, as well as due to increased recurring revenues, as noted above.

Cost of sales and gross profit

Cost of sales for Q2 2016 increased to US$ 6.4 million as compared to US$ 4.0 million for Q2 2015 and US$ 5.0 million in Q1 2016, with gross profit margins of 69% in Q2 2016 versus 72% in Q2 2015 and 68% in Q1 2016. Cost of sales for H1 2016 increased to US$ 11.5 million as compared to US$ 8.1 million for H1 2015, with gross profit margins of 68% in H1 2016 versus 69% in H1 2015. The increase in the cost of sales was due primarily to higher sales volumes in Q2 2016 and H1 2016 versus comparable periods, to composition of product mix and included US$ 0.2 million in facility relocation expenses in Israel. The respective impact on the gross profits margin on a year-over-year basis was primarily due to composition of product mix. On a sequential basis, gross margins benefitted from higher sales volumes.

Research and development expenses

Research and development expenses for Q2 2016 of US$ 2.7 million and for H1 2016 of US$ 5.3 million were virtually flat with Q2 2015 and H1 2015, respectively. Sequentially, Q2 2016 research and development expenses increased slightly as compared to Q1 2016, due to increased employee-related expenses and also due to facility relocation expenses in Israel. The Group continues to focus its research and development expenditures on the development of future growth products and services, as expanded upon in Section 10.

Sales and marketing expenses

Sales and marketing expenses for Q2 2016 increased to US$ 3.7 million as compared to US$ 3.3 million in Q2 2015 and US$ 3.1 million in Q1 2016. Sales and marketing expenses for H1 2016 increased to US$ 6.8 million as compared to US$ 6.6 million in H1 2015. The increase in sales and marketing expenses on both the year-over-year and sequential bases was primarily due to higher sales commissions and incentive-based compensation and increased expenses associated with our polished diamond products and services business development efforts, and also due to facility relocation expenses in Israel.

General and administrative expenses

General and administrative expenses for Q2 2016 increased to US$ 1.3 million as compared to US$ 1.0 million in Q2 2015 and US$ 1.1 million in Q1 2016. General and administrative expenses for H1 2016 increased to US$ 2.4 million as compared to US$ 2.3 million in H1 2015. The increase in general and administrative expenses on a year-over year basis was due to higher incentive-based compensation. The sequential increase in quarterly general and administrative expenses was primarily due to increased incentive-based compensation as well as expanded IP protection expenses in Q2 2016 related to our inclusion mapping technology.

Profit from operations

Profit from operations for Q2 2016 increased to US$ 6.7 million as compared to US$ 3.4 million in Q2 2015 and US$ 3.7 million in Q1 2016. Profit from operations for H1 2016 increased to US$ 10.4 million as compared to US$ 4.2 million in H1 2015. The increase in profit from operations was primarily due to increased revenues, as detailed above.

Net finance income

Net finance income for Q2 2016 was US$ 208,000 as compared to US$ 66,000 in Q2 2015. Net finance income for H1 2016 was US$ 354,000 as compared to US$ 39,000 in H1 2015. Net finance income was primarily due to increased interest income and higher exchange rates associated with NIS account balances.

Income tax expense

The statutory corporate tax rate in Israel in FY2016 decreased to 25% (from 26.5% in FY2015). The Group's effective tax rate is a blend of the statutory tax rate in Israel reduced by substantial tax benefits, in accordance with tax directives enacted in Israel as of 2011, accorded to our export-oriented revenue mix (taxed at between 9%-16%), offset by the higher statutory tax rate in India (34%).

The Group recorded an income tax expense of US$ 0.9 million for Q2 2016 as compared to an expense of US$ 0.8 million for Q2 2015. The Group recorded an income tax expense of US$ 1.8 million in H1 2016, as compared to an expense of US$ 0.7 million in H1 2015. The increase in income tax expense was primarily due to higher pre-tax profitability, as discussed above.

Profit for the period

Net profit for Q2 2016 increased to US$ 6.0 million as compared to US$ 2.7 million in Q2 2015 and US$ 3.0 million in Q1 2016. Net profit for H1 2016 increased to US$ 9.0 million as compared to US$ 3.6 million in H1 2015. The increase in net profit was primarily due to increased revenues, as detailed 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. Fundamental global economic indicators appear overall stable, despite initial reactions to the "Brexit" vote.

b. In the U.S., still the largest single market for polished diamonds, diamond jewellery sales continue to be stable with an overall positive bias. At the key U.S. trade show in June, the Las Vegas JCK show, though traffic was noticeably lighter, participants reported an overall more business-like atmosphere, which compensated for the fewer visitors, and most exhibitors reported satisfactory results. At the Hong Kong Jewellery & Gem Fair in the second half of June, sentiment was impacted by the slowdown in China, in general, and Hong Kong, specifically, as was expected. Business was in line with the subdued expectations going into the show, evidencing demand, albeit for lower price-point polished goods, mainly in the SI quality range.

c. During the first several months of the year, diamond manufacturers took advantage of reduced rough diamond prices to replenish depleted inventories, with DeBeers realising sights of approximately US$575 million, US$620 million and US$660 million in January, February and April, respectively. Subsequently, with inventories partially replenished, rough stone buying continued at a slower rate, with the May, June and July sights all around US$520 - 560 million and pricing stable. For the first six months of the year both DeBeers and Alrosa reported sales up, 29% and 21% respectively, at reduced prices (primarily DeBeers' 14% reduction) with production reduced by some 15%, as both producers sold from their increased inventory surpluses, following last year's production during a period of weak midstream demand.

d. Inventory levels of polished diamonds in the midstream manufacturing segment have bounced back from their depleted levels at the end of 2015. Manufacturers continue to closely gauge their production, to forestall a return to the overly high inventory levels of 2014 and 2015, as evidenced by their reduced buying at the last three DeBeers sights (US$ 550, 560 and 520 million for May, June and July, respectively). Inventory management has become a key issue throughout the diamond industry pipeline, with producers (as noted in the preceding paragraph), manufacturers, wholesalers and retailers all striving to retain optimal inventories and minimising buying to inventory when possible. New features being integrated into the Sarine Profile™, subsequent to our acquisition of the DiaMining technology, are specifically aimed at addressing this cardinal issue.

e. The positive trends noted in our Q1 release dated 8 May 2016 continue to drive midstream profitability, namely reduced rough prices on the backdrop of stable polished prices (rising modestly in the beginning of the year and somewhat tempering in June and July; prices for polished diamonds of under a carat are reportedly still up y-o-y some 2%, while as larger stones' prices have softened progressively with their size), reduced inventories and overall stable demand for polished diamonds. As noted above, at the key Las Vegas JCK and Hong Kong trade shows held in June, business was satisfactory, even if not expansive.

f. With deliveries in Q2 2016 of a record 20 Galaxy™ family systems to customers, comprising ten Meteor™ systems, eight Solaris™ systems and two Galaxy™ Ultra systems, the Group had an installed base of 253 Galaxy™ family systems as of 30 June 2016. Deliveries have thus tallied 38 in the first six months of 2016. Though we expect slightly fewer deliveries in the second half of 2016, primarily due to the fourth quarter Diwali holiday in India, we believe that 2016 will be a record year for deliveries, expanding substantially upon the typical 40+ deliveries realised in the previous years. To the best of our knowledge, there have been no material competing developments throughout the first half of this year. We are accelerating our efforts to protect our intellectual property rights and preclude unauthorised use of our inclusion mapping technology, as noted above in section 8 under "General and administrative expenses" .

g. Sales programs utilising the Sarine Profile™, with leading retailers in the U.S and the Asia Pacific (APAC) region are now in full swing. Amongst our customers who have already formally launched, are Japan's Cima (a leading bridal and diamond jewellery retailer with some 60 outlets), China's Shining House (a leading diamond jewellery retailer with over 300 stores), Kela (one of the top online diamond e-commerce players in China) and Hope (a wholesaler with some 25 retail outlets as well), Singapore's Soo Kee (a leading diamond jewellery retailer with over 60 outlets in the region) and GN, one of the largest and the fastest growing wholesaler in North America. Expanded programs with existing customers, as well as new programs with additional regional and national leading retailers the U.S and APAC, are already scheduled for rollout in Q3 and Q4. The early adopters are typically technology-savvy retailers striving to enhance their customers' experience and inspire confidence, whilst instilling a new level of transparency in their selling paradigms. We have expanded our marketing staff in our Hong Kong regional sales headquarters and are increasing our staff at our North American headquarters in New York, in both sales and operations personnel, to support the growing customer base there.

h. The Allegro™ service centres in Jaipur, India, and Ramat Gan, Israel are gaining exposure, educating potential customers and refining the system's capabilities, while generating very limited production revenues, as typical at this early stage of introduction. We are continuing to plan for rollout in additional territories, most likely in 2017.

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

- **Polished diamond trade systems**:
  - Expansion of our cloud-based infrastructure (our "back office") for the Sarine Profile™;
  - Enhancement of our Sarine Profile™ in order to provide additional capabilities for customer programs, as required, including additional shapes such as Radiant, Cushion, Octagon and Oval;
  - Development of complementary hardware for the Sarine Loupe™ platform to support additional capabilities relating to the derivation of key characteristics of the polished diamond; and
  - Integration of the recently acquired DiaMining™ technology to enhance our Sarine Profile™ with significantly better in-store capabilities, as well as advanced inventory management functionalities.

- **Manufacturing products**: Integration of our rough planning software (the Advisor™) and our faceting quality control software (the Instructor™) with our light performance grading technology, so as to allow manufacturers to incorporate light performance (i.e., brilliance, fire and sparkle) into their manufacturing criteria and provide an enhanced Cut prediction/analysis based on light performance as well as proportions;

- **Non-diamond gemstones:** Continue upgrading the Allegro™ system with even more advanced planning capabilities, incorporating new cut and shape solutions not used in diamond cutting, which allow for higher weight yields from the processed gemstones.

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 2.00 per ordinary share for the half-year ended June 30, 2016.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

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

In August 2015, the Board of Directors had declared an interim dividend of US cents 1.5 per ordinary share for the half-year ended June 30, 2015.

(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 %
2016	6,992	20%/0%* / 10% **
2015	5,234	20%/0%* / 10% **

*The tax rate will be 20% (20% in 2015) for individual Israeli shareholders and 0% (0% in 2015) for Israeli corporate shareholders.
**The tax rate for the dividends for individual and corporate Singaporean shareholders is 10% (10% in 2015).

(d) *Date Payable*

	Amount US$'000
8.9.16	6,992
10.9.15	5,234

(e) *Books Closure Date*

5:00 PM on:

	Amount US$'000
25.8.16	6,992
1.9.15	5,234

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, 2016, to be false or misleading, in any material aspect.

15. Confirmation pursuant to Rule 720 (1) of the Listing Manual

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

On behalf of the Directors

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