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 September 30,			Group Nine months ended September 30,		
	2014	2013	Change %	2014	2013	Change %
Revenue	**20,362**	**17,349**	17.4	**69,450**	**59,697**	**16.3**
Cost of sales	6,119	4,762	28.5	19,749	16,963	16.4
Gross profit	**14,243**	**12,587**	**13.2**	**49,701**	**42,734**	**16.3**
Research and development expenses	2,649	2,280	16.2	7,922	5,924	33.7
Sales and marketing expenses	3,210	2,759	16.3	9,558	8,305	15.1
General and administrative expenses	1,553	1,455	6.7	4,429	3,841	15.3
Profit from operations	**6,831**	**6,093**	**12.1**	**27,792**	**24,664**	**12.7**
Net finance income (expense)	1	(153)	NM	168	(95)	NM
Profit before income tax	**6,832**	**5,940**	**15.0**	**27,960**	**24,569**	**13.8**
Income tax expense current period	(1,141)	(270)	322.6	(4,622)	(2,556)	80.8
Income tax expense prior periods (exempt profits)	--	(2,587)	NM	--	(2,587)	NM
Income tax expense	**(1,141)**	**(2,857)**	**(60.1)**	**(4,622)**	**(5,143)**	**(10.1)**
Profit for the period	**5,691**	**3,083**	**84.6**	**23,338**	**19,426**	**20.1**
Other comprehensive expense						
Foreign currency translation differences from foreign operations	(160)	(223)	(28.3)	--	(684)	NM
Total comprehensive income for the period	**5,531**	**2,860**	**93.4**	**23,338**	**18,742**	**24.5**

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

Profit before income tax is stated after charging the following:

	Group Quarter ended September 30,			Group Nine months ended September 30,		
	2014	2013	Change %	2014	2013	Change %
Allowance (write back) for doubtful trade receivables	30	21	42.9	5	(10)	NM
Depreciation and amortisation	1,104	1,050	5.1	3,535	3,035	16.5
Interest income (expense), net	4	17	(76.5)	100	(62)	NM
Exchange rate differences	(3)	(170)	(98.2)	68	(33)	NM
Warranty provision	20	(11)	NM	42	2	2000.0

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	
	September 30, 2014	**December 31, 2013**	**September 30, 2014**	**December 31, 2013**
Assets				
Property, plant and equipment	11,373	10,670	1,322	1,168
Intangible assets	7,481	8,375	--	--
Investment in equity accounted investee and subsidiaries	--	--	25,345	19,255
Deferred tax assets	2,062	1,355	1,162	650
Total non-current assets	20,916	20,400	27,829	21,073
Inventories	10,366	8,548	6,744	6,268
Trade receivables	16,710	15,838	2,572	2,637
Other receivables	2,350	3,744	965	1,578
Short-term investments (bank deposits)	24,499	13,048	16,579	8,534
Cash and cash equivalents	16,163	20,011	5,882	13,303
Total current assets	70,088	61,189	32,742	32,320
Total assets	91,004	81,589	60,571	53,393
Equity				
Share capital*	--	--	--	--
Share premium, reserves and retained earnings	76,198	67,334	51,180	43,656
Total equity	76,198	67,334	51,180	43,656
Liabilities				
Long-term liabilities	48	159	48	159
Employee benefits	172	184	145	155
Total non-current liabilities	220	343	193	314
Trade payables	3,936	3,333	2,762	2,124
Other payables	9,850	9,792	6,175	7,070
Current tax payable	371	400	--	--
Warranty provision	429	387	261	229
Total current liabilities	14,586	13,912	9,198	9,423
Total liabilities	14,806	14,255	9,391	9,737
Total equity and liabilities	91,004	81,589	60,571	53,393

*No par value

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

Zero borrowings from banks as at September 30, 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 Quarter ended September 30, 2014	Group Quarter ended September 30, 2013	Group Nine months ended September 30, 2014	Group Nine months ended September 30, 2013
Cash flows from operating activities				
Profit for the period	5,691	3,083	23,338	19,426
Adjustments for:				
Share-based payment expenses	791	580	1,977	1,418
Income tax expense	1,141	2,857	4,622	5,143
Depreciation of property, plant and equipment	463	409	1,612	1,240
Amortisation of intangible assets	641	641	1,923	1,795
Net finance (income) expenses	(1)	153	(168)	95
Changes in working capital				
Inventories	(1,685)	(938)	(1,818)	(610)
Trade receivables	(170)	(3,130)	(872)	(11,131)
Other receivables	(100)	(718)	(187)	(1,682)
Trade payables	(657)	(891)	583	673
Other short- and long-term liabilities	(172)	1	(62)	1,919
Employee benefits	(13)	4	(12)	10
Cash generated from operations	5,929	2,051	30,936	18,296
Income tax paid	(791)	(4,279)	(3,777)	(6,661)
Net cash from (used in) operating activities	5,138	(2,228)	27,159	11,635
Cash flows used in investing activities				
Acquisition of property, plant and equipment	(423)	(227)	(2,295)	(5,925)
Restricted cash	--	--	--	485
Short-term investments, net	1,431	12,754	(11,451)	5,811
Capitalisation of development expenses	(314)	(148)	(1,029)	(967)
Interest received	49	60	249	229
Net cash from (used in) investing activities	743	12,439	(14,526)	(367)
Cash flows used in financing activities				
Proceeds from exercise of share options	194	596	947	1,422
Repayments of long-term liabilities	--	(479)	--	(728)
Sale of Company's shares by the Company	--	--	--	2,527
Dividend paid	(10,426)	(13,800)	(17,398)	(18,079)
Interest paid	(28)	(43)	(98)	(291)
Net cash used in financing activities	(10,260)	(13,726)	(16,549)	(15,149)
Net decrease in cash and cash equivalents	(4,379)	(3,515)	(3,916)	(3,881)
Cash and cash equivalents at beginning of the period	20,545	18,926	20,011	19,155
Exchange rate differences	(3)	(170)	68	(33)
Cash and cash equivalents at end of the period	16,163	15,241	16,163	15,241

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 period ended September 30, 2013	--	--	--	19,426	--	19,426
Other comprehensive expense for the period ended September 30, 2013	--	--	(684)	--	--	(684)
Share-based payment expenses	--	1,418	--	--	--	1,418
Exercise of options	--	1,422	--	--	--	1,422
Dormant shares sold	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(18,079)	--	(18,079)
Balance at September 30, 2013	--	20,925	(1,317)	42,560	--	62,168
Balance at January 1, 2014	--	21,525	(1,213)	47,022	--	67,334
Profit for the period ended September 30, 2014	--	--	--	23,338	--	23,338
Share-based payment expenses	--	1,977	--	--	--	1,977
Exercise of options	--	947	--	--	--	947
Dividend paid	--	--	--	(17,398)	--	(17,398)
Balance at September 30, 2014	--	24,449	(1,213)	52,962	--	76,198

* No par value

** Retrospective application regarding initial application of amended IAS 19, Employee Benefits

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 period ended September 30, 2013	--	--	--	16,027	--	16,027
Other comprehensive expense for the period ended September 30, 2013	--	--	(684)	--	--	(684)
Share-based payment expenses	--	1,418	--	--	--	1,418
Exercise of options	--	1,422	--	--	--	1,422
Dormant shares sold	--	1,414	--	--	1,113	2,527
Dividend paid	--	--	--	(18,079)	--	(18,079)
Balance at September 30, 2013	--	20,925	(1,317)	21,473	--	41,081
Balance at January 1, 2014	--	21,525	(1,213)	23,344	--	43,656
Profit for the period ended September 30, 2014	--	--	--	21,998	--	21,998
Share-based payment expenses	--	1,977	--	--	--	1,977
Exercise of options	--	947	--	--	--	947
Dividend paid	--	--	--	(17,398)	--	(17,398)
Balance at September 30, 2014	--	24,449	(1,213)	27,944	--	51,180

* No par value
** Retrospective application regarding initial application of amended IAS 19, Employee Benefits

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.

	September 30, 2014	June 30, 2014	September 30, 2013
	No. of shares	No. of shares	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	348,463,552	348,166,053	345,884,803

For the quarter ended September 30, 2014, a total of 297,499 employee share options were exercised into ordinary shares.

Details of changes in share options:

	Average exercise price in US cents per share	Options
At January 1, 2014	75.0	15,110,794
Granted	196.2	3,810,000
Cancelled	107.3	(531,250)
Exercised	39.3	(2,416,249)
At September 30, 2014	107.4	15,973,295

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 September 30, 2014, the total number of issued shares was 348,463,552 (as at December 31, 2013: 346,047,303). As at September 30, 2014 the total number of dormant shares was nil (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 nine months ended September 30, 2014, 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, 2013 have been applied in the preparation for the financial statements for the period ended September 30, 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 September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
Basic earnings per share (US cents)	1.63	0.89	6.71	5.67
Diluted earnings per share (US cents)	1.61	0.89	6.61	5.61
Basic earnings per share (Singapore cents*)	2.07	1.13	8.54	7.22
Diluted earnings per share (Singapore cents*)	2.05	1.13	8.41	7.14

Basic earnings per share for the three months ended September 30, 2014 are calculated based on the weighted average number of 348,310,101 ordinary shares issued during the current period and the equivalent of 344,803,974 ordinary shares during the preceding period.

Diluted earnings per share for the three months ended September 30, 2014 are calculated based on weighted average number of 354,558,755 ordinary shares and outstanding options and the equivalent of 348,228,022 ordinary shares and outstanding options during the preceding period.

Basic earnings per share for the nine months ended September 30, 2014 are calculated based on the weighted average number of 347,576,655 ordinary shares issued during the current period and the equivalent of 342,364,031 ordinary shares during the preceding period.

Diluted earnings per share for the nine months ended September 30, 2014 are calculated based on weighted average number of 353,260,097 ordinary shares and outstanding options and the equivalent of 346,067,629 ordinary shares during the preceding period.

* Convenience translation based on exchange rate of US$ 1=S$ 1.2728 at September 30, 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	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Net asset value (US$ thousands)	76,198	67,334	51,180	43,656
Net asset value per ordinary share (US cents)	21.87	19.46	14.69	12.62
Net asset value per ordinary share (Singapore cents*)	27.83	24.77	18.69	16.06

At September 30, 2014, net asset value per share is calculated based on the number of ordinary shares in issue at September 30, 2014 of 348,463,552 (there were no dormant ordinary shares at September 30, 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$ 1.2728 at September 30, 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

The Group reported record third quarter revenues in Q3 2014 of US$ 20.4 million, record third quarter profit from operations of US$ 6.8 million and record third quarter net profit of US$ 5.7 million, as compared to revenues of US$ 17.3 million, profit from operations of US$ 6.1 million and net profit of US$ 3.1 million reported in Q3 2013, and as compared to revenues of US$ 24.7 million, profit from operations of US$ 10.1 million and net profit of US$ 8.6 million reported in Q2 2014.

The Group reported record revenues for the nine months ended September 30, 2014 of US$ 69.5 million, record profit from operations of US$ 27.8 million and record net profit of US$ 23.3 million, as compared to revenues of US$ 59.7 million, profit from operations of US$ 24.7 million and net profit of US$ 19.4 million reported in the comparable period in 2013. The improved operating performance on a year-over-year basis stemmed primarily from increased Galaxy™ family related revenues along with increased sales of our other rough-diamond planning and processing products.

The improved operating performance in Q3 2014 on a year-over-year basis stemmed from a somewhat better business environment as compared to a more challenging Q3 2013, increased Galaxy™-related recurring revenues from a broader installed base, offset, somewhat, by higher operating expenses, as planned, and a modest decline in gross margins due to product mix.

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

- Increasing impact on working capital credit lines available to some of our customers;
- Atypical slowdown in late Q3 2014 ahead of the relatively early Diwali, falling in October this year, rather than the usual November; and
- Decreased amount of rough in the manufacturing pipeline consistent with fewer sights in third quarters.

Q3 2014 results once again vindicate the Group's strategy to focus on recurring revenue models, as the quarter evidences how this strategy continues to help mitigate the volatility associated with the sales of capital equipment. Overall Group recurring revenue in Q3 2014 increased close to a third as compared to Q3 2013, though it declined marginally as compared to Q2 2014, due to the decreased rough pipeline, as noted above.

Galaxy™ penetration continues to grow, with deliveries in Q3 2014 of 7 Galaxy™ family systems, including a Galaxy™ XL to our New York service centre (see Section 10). As of September 30, 2014, the Group has an installed base of just under 185 Galaxy™ family systems. Overall recurring revenues for the nine months ended September 30, 2014 (including Galaxy™-related, Quazer services, annual maintenance contracts, etc.) represented 35% of our overall sales.

Balance Sheet and Cash Flow Highlights

As at September 30, 2014, *cash and cash equivalents* and *short-term investments (bank deposits)* ("**Cash balances**") increased to US$ 40.7 million from the US$ 33.1 million reported as of December 31, 2013 and decreased from the US$ 46.5 million reported as of June 30, 2014. The US$ 7.6 million increase in Cash balances since December 31, 2013 follows the Group's record operating results for the nine months ended September 30, 2014, and, notably, is after the payment of US$ 17.4 million in dividends in 2014 - the US$ 10.4 million interim 2014 dividend paid in August 2014 and the US$ 7.0 million final dividend for the fiscal year 2013 paid in May 2014. The sequential quarterly decline in Cash balances during the three months ended September 30, 2014 is primarily due to the payment of the US$ 10.4 million dividend in August 2014 and due to higher inventories, in part associated with the introduction of new products (e.g. Galaxy™ Ultra and polished trade products). Trade receivables increased marginally to US$ 16.7 million as at September 30, 2014, as compared to US$ 16.5 million as at June 30, 2014, as we continue to manage our receivables with prudence and caution.

Revenues

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

Q3 2014 versus Q3 2013				
Region	**Q3 2014**	**Q3 2013**	**$ change**	**% change**
India	16,366	13,122	3,244	24.7
Africa	803	1,103	(300)	(27.2)
Europe	315	355	(40)	(11.3)
North America	385	309	76	24.6
Israel	1,178	908	270	29.7
Other*	1,315	1,552	(237)	(15.3)
Total	20,362	17,349	3,013	17.4

1-9.2014 versus 1-9.2013				
Region	**1-9.2014**	**1-9.2013**	**$ change**	**% change**
India	56,088	45,603	10,485	23.0
Africa	2,872	3,282	(410)	(12.5)
Europe	1,340	1,454	(114)	(7.8)
North America	1,007	547	460	84.1
Israel	3,966	2,791	1,175	42.1
Other*	4,177	6,020	(1,843)	(30.6)
Total	69,450	59,697	9,753	16.3

Q3 2014 versus Q2 2014				
Region	**Q3 2014**	**Q2 2014**	**$ change**	**% change**
India	16,366	20,240	(3,874)	(19.1)
Africa	803	1,074	(271)	(25.2)
Europe	315	315	--	--
North America	385	287	98	34.1
Israel	1,178	1,452	(274)	(18.9)
Other*	1,315	1,348	(33)	(2.4)
Total	20,362	24,716	(4,354)	(17.6)

* (primarily Asia, excluding India)

The Group reported record Q3 revenues in Q3 2014 of US$ 20.4 million as compared to revenues of US$ 17.3 million reported in Q3 2013 and US$ 24.7 million in Q2 2014. On a year-over-year basis, the increase in revenues stemmed primarily from increased Galaxy™-related recurring revenues from a broader installed base and along with increased sales of our other rough-diamond planning and processing products. On a sequential basis, the decrease in revenues was primarily related to reduced high-ticket capital equipment purchases, primarily in India, mitigated somewhat by only a marginal decline in Group recurring revenues, as noted above.

The Group reported record revenues for the nine months ended September 30, 2014 of US$ 69.5 million, an increase of 16% as compared to revenues of US$ 59.7 million in the comparable period in 2013. The increase in revenues stemmed primarily from increased Galaxy™ family related revenues along with increased sales of our other rough-diamond planning and processing products.

Cost of sales and gross profit

Cost of sales for Q3 2014 increased by 28% to US$ 6.1 million as compared to US$ 4.8 million for Q3 2013, with gross profit margins of 70% in Q3 2014 versus 73% in Q3 2013. The increase in the cost of sales and modest 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, gross profit margins were 70% in Q3 2014 as compared to 72% in Q2 2014. The sequential decrease in gross profit margin was due to lower sales volumes and composition of product mix.

Cost of sales for the nine months ended September 30, 2014 increased by 16% to US$ 19.7 million as compared to US$ 17.0 million in the comparable period in 2013, with gross profit margins of 72% 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.

Research and development expenses

Research and development expenses for the three and nine months ended September 30, 2014 and for the comparable periods are as per the table below. The Group still capitalised in Q3 2014 (in compliance with IFRS) costs associated with the development of the Sarine Loupe™ system.

US$ (thousands)	Q3 2014	Q3 2013	Q2 2014	1-9.2014	1-9.2013
R&D expenses as reported	2,649	2,280	2,744	7,922	5,924
Capitalised development	314	148	337	1,029	967
Total R&D costs incurred	2,963	2,428	3,081	8,951	6,891

The increase in research and development expenditures for the three and nine months ended September 30, 2014 year-over-year, 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). On a sequential basis, research and development expenditures declined marginally.

Sales and marketing expenses

Sales and marketing expenses for Q3 2014 increased by 16% to US$ 3.2 million as compared to US$ 2.8 million for Q3 2013. Sales and marketing expenses for the nine months ended September 30, 2014 increased by 15% to US$ 9.6 million, as compared to US$ 8.3 million in the comparable period in 2013. The increase in sales and marketing expenses for the three and nine months ended September 30, 2014 on a year-over-year basis was primarily due to increased business development and marketing expenses associated with activities related to the launch of our Sarine Loupe™, and the establishing of the necessary sales and marketing infrastructures for all the new polished diamond offerings. On a sequential basis, sales and marketing expenses for Q3 2014 declined by 9% to $3.2 million as compared to US$ 3.5 million in Q2 2014 due to lower expenses associated with trade shows.

General and administrative expenses

General and administrative expenses increased marginally by US$ 0.1 million to US$ 1.55 million for Q3 2014 as compared to US$ 1.46 million in Q3 2013. General and administrative expenses increased by US$ 0.6 million to US$ 4.4 million for the nine months ended September 30, 2014 as compared to US$ 3.8 million for the comparable period in 2013. The increase in general and administrative expenses on a year-over-year basis was primarily due to increased incentive-based compensation. On a sequential basis, general and administrative expenses increased US $0.2 million as compared to US$ 1.36 million in Q2 2014 primarily due to increased incentive-based compensation and increased third-party administrative fees.

Profit from operations

Profit from operations for Q3 2014 increased by 12% to a third quarter record of US$ 6.8 million as compared to US$ 6.1 million for Q3 2013. Profit from operations for the nine months ended September 30, 2014, increased by 13% to a record US$ 27.8 million as compared to US$ 24.7 million for the comparable period in 2013. The increase in profit from operations on a year-over-year basis was primarily due to higher sales, offset by higher operating expenses, as detailed above. Profit from operations for Q3 2014 decreased by 32% to US$ 6.8 million as compared to US$ 10.1 million for Q2 2014. The decrease in profit from operations on a sequential basis was primarily due to lower revenues, as noted.

Net finance income (expense)

Net finance income for Q3 2014 was negligible (US$ 0.001 million) as compared to an *expense* of US$ 0.15 million for Q3 2013. Net finance income for the nine months ended September 30, 2014 was US$ 0.17 million as compared to an expense of US$ 0.1 million for the comparable period in 2013. The increase in financial income on a year-over-year basis was primarily due to financial income related to a previous year tax refund, as well as the absence of exchange rate differences, as reported last year, from the then unprecedented devaluation of the Indian Rupee against the U.S. Dollar.

Income tax expense

The statutory corporate tax rate in Israel has increased in 2014 to 26.5% (25% in 2013). The Group's effective current period tax rate is approximately 16.5% for the nine months ended September 30, 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.

For Q3 2014, the Group recorded an income tax expense of US$ 1.1 million, as compared to an expense of US$ 2.9 million in Q3 2013. The Group recorded an income tax expense of US$ 4.6 million for the nine months ended September 30, 2014, as compared to an expense of US$ 5.1 million for the comparable period in 2013. Income tax expense for the three and nine months ended September 30, 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 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 also associated with the enactment in Q3 2013 of the higher tax rates in Israel for 2014 and beyond. On a sequential basis, the Group recorded an income tax expense of US$ 1.1 million in Q3 2014 as compared to an expense of US$ 1.7 million in Q2 2014, due to lower pre-tax profits, as discussed above.

Profit for the period

Net profit for Q3 2014 increased by 85% to a third quarter record of US$ 5.7 million as compared to US$ 3.1 million for Q3 2013. Net profit for the nine months ended September 30, 2014 increased by 20% to a record US$ 23.3 million, as compared to US$ 19.4 million for the comparable period in 2013. The increase in net profit on a year-over-year basis was primarily due to higher sales and lower taxes, offset somewhat by higher operating expenses, as noted above. Net profit for Q3 2014 decreased by 34% to US$ 5.7 million as compared to US$ 8.6 million for Q2 2014. 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, as does the exchange rate of the Indian Rupee against the U.S. Dollar.

b. The shortage of available credit in India is becoming more significant, as several banks in Belgium and the Far East have either curtailed or reduced significantly (by up to 25%) their extension of credit to the diamond industry. The credit issue has further been exacerbated by the increase in polished diamond inventories held by manufacturers, due to the prolonged grading and certification cycles experienced since the beginning of 2014 (coming down now from their Q2 peaks). These two issues have created significant headwinds working against the sale of high-ticket capital equipment sales, as has been manifested in the latter part of this past quarter. We expect this scenario may continue to impact our customers' purchases of capital equipment for the rest of 2014 and possibly continuing into early 2015. We do not currently foresee this issue extending significantly into 2015.

c. Polished diamond prices have remained overall stable for the year, notwithstanding the welcome increases in the first quarter, with some specific sizes seeing minor price erosion this past quarter. Rough diamond prices have experienced an overall trend towards moderate increases, with an unexpected increase in the latest sight (October). Though overall there has not been substantial diversion between the trends in rough and polished diamond prices so far this year, in specific categories a negative situation has evolved, causing some 10% of the goods at the latest sight to be left on the table. The divergence in prices experienced so far this year is not at all as significant as those experienced in the previous two years (2012 – 2013). However, due to the potentially negative effect of such a divergence on our business, we continue to monitor these trends closely.

d. The Group realised unexpectedly weak deliveries of new Galaxy™ family systems this quarter, primarily due to the credit issues noted above. With the installation of a Galaxy™ XL at our NY service centre and deliveries of just 6 systems to customers, the majority of which were of the Solaris™ model, as of 30 September 2014 we had just under 185 systems deployed worldwide. However, seemingly most of the demand in Q3 was delayed, rather than being foregone as indicated by current interest. Our total recurring revenue stream, including Galaxy™-related, for the nine months ended 30 September 2014, continues to rise year over year, and accounted for 35% of our revenue for the first nine months of 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, nor has the system developed by the Indian competitor materialised commercially. Based on current demand and given our world-leading integrative solution and extensive installed base of planning systems, the Group expects to continue to realise significant deliveries of Galaxy™ and Solaris™ systems into 2015. The initial sale of the Galaxy™ Ultra (to identify VVS1 inclusions accurately and automatically with much higher throughput and ease of operation than any other competing solution) was also postponed, for the reasons noted above, from Q3 into Q4.

e. Marketing efforts of the Sarine Light™ in the U.S., Japan, Taiwan and Korea are continuing. Our marketing and sales footprint is expanding to HK and China, to be followed by additional Asian countries (e.g. Thailand, Malaysia, Indonesia and Singapore) in 2015. We launched the Sarine Loupe™ imaging service commercially in India in Q3, followed by Israel in October and have just launched commercially in NY as of the beginning of November. As additional features were implemented during Q3, in time for the September Hong Kong show, we received overwhelmingly positive feedback at that venue, as well as at selected launch events elsewhere. As the Sarine Light™ and Sarine Loupe™ are truly complementary services (see following link as appears on Rappaport's RapNet® courtesy of Guy-On Diamonds, http://tinyurl.com/sarine-info), and the lines between B2B and B2C are blurring, we will be structuring our sales efforts for these products, both as standalone and joint packages. We believe that this will provide additional impetus to the broader commercial adoption of these unique imaging and documentation solutions. We expect initial roll-out at manufacturer and retail sites in Q4, with more significant revenue contribution in 2015.

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

The Galaxy™ family of products: Our research and development efforts relating to our inclusion scanning family of systems continue to focus on increasing the added value of using these systems, with emphasis being on increased throughput and automation, so as to lower the total cost of ownership and use.

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. We continue to refine the Advisor™ rough planning software so to even further optimise the resulting polished diamonds' values. Though currently in beta-testing, as planned, the release of the next (and significantly upgraded) version of the Advisor™ software (Advisor™ 6.0) will only occur in the beginning of 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, with the initial system delivered to a high-end manufacturer/retailer in the U.S., and additional systems sold to customers in India, Israel and the U.S. We expect the Axiom's™ introduction will lead to a refined definition of a polished diamond's Cut and symmetry, and thus create a new business opportunity for the Group.

Sarine Light™: As the Sarine Light™ is launched in additional markets in the Far East and the U.S., as noted above, continuing development efforts are addressing the refinement of the system to extend its capabilities to additional shapes and categories of polished diamonds, enhance its scalability, and finish the in-store tablet-based display system, to better meet retailers' needs in the actual sales environment.

Sarine Loupe™: The Sarine Loupe™ system's enhancement with additional features continues. These features will be implemented over the upcoming months to augment the online assessment of polished diamonds, with even more intuitive indications of its appearance and features.

11. Dividend

(a) Current Financial Period Reported

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

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(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.

Not applicable.

(d) Date Payable

Not applicable.

(e) Books Closure Date

Not applicable.

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 September 30, 2014, to be false or misleading, in any material aspect.

On behalf of the Directors

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