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 (loss) for the (US$'000):

	Group Quarter ended December 31,			Group Year ended December 31,		
	2017	2016	Change %	2017	2016	Change %
Revenue	**12,937**	**18,917**	**(31.6)**	**58,644**	**72,524**	**(19.1)**
Cost of sales	4,479	5,346	(16.2)	19,298	22,235	(13.2)
Gross profit	**8,458**	**13,571**	**(37.7)**	**39,346**	**50,289**	**(21.8)**
Research and development expenses	2,014	2,714	(25.8)	10,519	10,844	(3.0)
Sales and marketing expenses	2,966	3,469	(14.5)	13,592	13,578	0.1
General and administrative expenses	1,376	1,110	24.0	5,819	4,657	25.0
Profit from operations	**2,102**	**6,278**	**(66.5)**	**9,416**	**21,210**	**(55.6)**
Net finance income (expense)	(89)	(2)	4,350.0	17	755	(97.7)
Profit before income tax	**2,013**	**6,276**	**(67.9)**	**9,433**	**21,965**	**(57.1)**
Income tax expense	1,400	1,287	8.8	3,669	3,985	(7.9)
Profit for the period	**613**	**4,989**	**(87.8)**	**5,764**	**17,980**	**(67.9)**
Remeasurement of defined benefit plan	(42)	--	NM	(42)	--	NM
Foreign currency translation differences from foreign operations	207	(159)	NM	533	(189)	NM
Total comprehensive income for the period	**778**	**4,830**	**(83.9)**	**6,255**	**17,791**	**(64.8)**

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

Profit before income tax is stated after charging the following:

	Group Quarter ended December 31,			Group Year ended December 31,		
	2017	2016	Change %	2017	2016	Change %
Allowance (write back) for doubtful trade receivables	49	2	2,350.0	126	(14)	NM
Depreciation and amortization	613	995	(38.4)	3,515	3,860	(8.9)
Interest income (expense), net	(81)	28	NM	108	645	(83.3)
Exchange rate differences	(8)	(30)	(73.3)	(91)	110	NM
Warranty provision	(27)	(3)	800.0	(65)	53	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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Assets				
Property, plant and equipment	15,646	14,064	1,961	2,255
Intangible assets	6,648	7,469	411	--
Investment in equity accounted investee and subsidiaries	--	--	47,200	48,480
Deferred tax assets	1,595	2,527	400	1,318
Total non-current assets	23,889	24,060	49,972	52,053
Inventories	7,200	9,230	4,285	6,393
Trade receivables	17,269	16,955	2,566	2,559
Other receivables	2,888	3,488	1,507	2,029
Short-term investments (bank deposits)	12,381	18,520	9,165	11,835
Cash and cash equivalents	16,736	19,467	8,792	11,631
Total current assets	56,474	67,660	26,315	34,447
Total assets	80,363	91,720	76,287	86,500
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(3,055)	(2,413)	(3,055)	(2,413)
Share premium, reserves and retained earnings	73,773	81,726	73,773	81,726
Total equity	70,718	79,313	70,718	79,313
Liabilities				
Employee benefits	208	144	197	138
Total non-current liabilities	208	144	197	138
Trade payables	1,750	3,725	1,167	2,258
Other payables	6,673	7,971	3,987	4,541
Current tax payable	720	208	--	--
Warranty provision	294	359	218	250
Total current liabilities	9,437	12,263	5,372	7,049
Total liabilities	9,645	12,407	5,569	7,187
Total equity and liabilities	80,363	91,720	76,287	86,500

* No par value

1(b)(ii) Aggregate amount of Group’s borrowings and debt securities.
Zero borrowings from banks as at December 31, 2017 and 2016.

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, 2017	2016
Cash flows from operating activities		
Profit for the year	5,764	17,980
Adjustments for:		
Share-based payment expenses	785	1,598
Income tax expense	3,669	3,985
Depreciation of property, plant and equipment	1,938	2,313
Amortisation of intangible assets	1,577	1,547
Net finance income	(17)	(755)
Changes in working capital		
Inventories	2,148	1,199
Trade receivables	(314)	(5,618)
Other receivables	530	(1,028)
Trade payables	(1,975)	1,366
Other liabilities	(1,231)	1,308
Employee benefits	64	6
Income tax paid, net	(2,155)	(1,710)
Net cash from operating activities	10,783	22,191
Cash flows from (used in) investing activities		
Acquisition of property, plant and equipment	(3,279)	(4,337)
Acquisition of activity	--	(1,210)
Short-term investments, net	6,139	(5,222)
Capitalisation of development expenses	(756)	--
Interest received	108	244
Net cash from (used in) investing activities	2,212	(10,525)
Cash flows used in financing activities		
Proceeds from exercise of share options	804	688
Purchase of Company's shares by the Company	(642)	(47)
Dividend paid	(15,797)	(12,248)
Net cash used in financing activities	(15,635)	(11,607)
Net (decrease) increase in cash and cash equivalents	(2,640)	59
Cash and cash equivalents at beginning of the period	19,467	19,298
Exchange rate differences	(91)	110
Cash and cash equivalents at end of the period	16,736	19,467

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, 2016	--	27,402	(1,730)	48,225	(2,366)	71,531
Profit for the year ended December 31, 2016	--	--	--	17,980	--	17,980
Other comprehensive loss for the year ended December31, 2016	--	--	(189)	--	--	(189)
Share-based payment expenses	--	1,598	--	--	--	1,598
Exercise of options	--	688	--	--	--	688
Dormant shares, acquired at cost (40,000)	--	--	--	--	(47)	(47)
Dividend paid	--	--	--	(12,248)	--	(12,248)
Balance at December 31, 2016	--	29,688	(1,919)	53,957	(2,413)	79,313
Balance at January 1, 2017	--	29,688	(1,919)	53,957	(2,413)	79,313
Profit for the year ended December 31, 2017	--	--	--	5,764	--	5,764
Other comprehensive income for the year ended December 31, 2017	--	(42)	533	--	--	491
Share-based payment expenses	--	785	--	--	--	785
Exercise of options	--	804	--	--	--	804
Dormant shares, acquired at cost (706,900)	--	--	--	--	(642)	(642)
Dividend paid	--	--	--	(15,797)	--	(15,797)
Balance at December 31, 2017	--	31,235	(1,386)	43,924	(3,055)	70,718

* 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, 2016	--	27,402	(1,730)	48,225	(2,366)	71,531
Profit for the year ended December 31, 2016	--	--	--	17,980	--	17,980
Other comprehensive loss for the year ended December 31, 2016	--	--	(189)	--	--	(189)
Share-based payment expenses	--	1,598	--	--	--	1,598
Exercise of options	--	688	--	--	--	688
Dormant shares, acquired at cost (40,000)	--	--	--	--	(47)	(47)
Dividend paid	--	--	--	(12,248)	--	(12,248)
Balance at December 31, 2016	--	29,688	(1,919)	53,957	(2,413)	79,313
Balance at January 1, 2017	--	29,688	(1,919)	53,957	(2,413)	79,313
Profit for the year ended December 31, 2017	--	--	--	5,764	--	5,764
Other comprehensive income for the year ended December 31, 2017	--	(42)	533	--	--	491
Share-based payment expenses	--	785	--	--	--	785
Exercise of options	--	804	--	--	--	804
Dormant shares, acquired at cost (706,900)	--	--	--	--	(642)	(642)
Dividend paid	--	--	--	(15,797)	--	(15,797)
Balance at December 31, 2017	--	31,235	(1,386)	43,924	(3,055)	70,718

* 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, 2017	**September 30, 2017**	**December 31, 2016**
	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	353,470,626	352,855,376	351,916,813
Dormant shares (out of the issued and fully paid share capital)**:**			
Ordinary shares of no par value	2,330,000	2,060,800	1,623,100
Total number of issued shares (excluding dormant shares)	351,140,626	350,794,576	350,293,713

For the three months ended December 31, 2017, 615,250 share options were exercised into ordinary shares. For the three months ended December 31, 2017, the Company purchased 269,200 of its ordinary shares at an aggregate cost of US$ 0.2 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 the Company holds them, 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, 2017, September 30, 2017 and December 31, 2016 included 2,330,000, 2,060,800 and 1,623,100 dormant shares, respectively.

Details of changes in share options:

	Average exercise price in US$ per share	**Options**
At January 1, 2017	1.106	19,381,380
Granted	1.262	2,989,000
Cancelled	1.516	(982,917)
Exercised	0.517	(1,553,813)
At December 31, 2017	1.248	19,833,650

At December 31, 2017, the average exercise price in Singapore dollars per share was S$ 1.668, based on an exchange rate of US$ 1 = S$ 1.3366.

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, 2017, the total number of issued shares excluding dormant shares was 351,140,626 (as at December 31, 2016- 350,293,713). As at December 31, 2017, the total number of dormant shares was 2,330,000 (as at December 31, 2016- 1,623,100).

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 months and year ended December 31, 2017, the Company purchased 269,200 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, 2016 have been applied in the preparation for the financial statements for year ended December 31, 2017.

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,	
	2017	**2016**	**2017**	**2016**
US cents				
Basic earnings per share	0.17	1.42	1.64	5.14
Diluted earnings per share	0.17	1.42	1.64	5.14
Singapore cents*				
Basic earnings (loss) per share	0.23	1.90	2.19	6.87
Diluted earnings (loss) per share	0.23	1.90	2.19	6.87

Basic loss per share for the three months ended December 31, 2017 are calculated based on the weighted average number of 350,792,034 ordinary shares issued during the current period and the equivalent of 350,248,360 ordinary shares during the preceding period.

Diluted loss per share for the three months ended December 31, 2017 are calculated based on the weighted average number of 350,988,328 ordinary shares and outstanding options and the equivalent of 350,299,794 ordinary shares and outstanding options during the preceding period.

Basic earnings per share for the year ended December 31, 2017 are calculated based on the weighted average number of 350,846,747 ordinary shares issued during the current period and the equivalent of 349,730,002 ordinary shares during the preceding period.

Diluted earnings per share for the year ended December 31, 2017 are calculated based on weighted average number of 351,258,604 ordinary shares and outstanding options and the equivalent of 350,066,574 ordinary shares during the preceding period.

* Convenience translation based on exchange rate of US$ 1= S$1.3366 at December 31, 2017.

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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Net asset value (US$ thousands)	70,718	79,313	70,718	79,313
Net asset value per ordinary share (US cents)	20.14	22.64	20.14	22.64
Net asset value per ordinary share (Singapore cents*)	26.92	30.26	26.92	30.26

At December 31, 2017, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2017 of 351,140,626 (not including 2,330,000 dormant ordinary shares at December 31, 2017). At December 31, 2016, net asset value per share is calculated based on the number of ordinary shares in issue at December 31, 2016 of 350,293,713 (not including 1,623,100 dormant ordinary shares at December 31, 2016).

* Convenience translation based on exchange rate of US$ 1=S$ 1.3366 at December 31, 2017.

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, 2017, the Group reported revenues of US$ 58.6 million, profit from operations of US$ 9.4 million, and net profit of US$ 5.8 million, as compared to revenues of US$ 72.5 million, profit from operations of US$ 21.2 million, and net profit of US$ 18.0 million for the year ended December 31, 2016. The Group reported revenues in Q4 2017 of US$ 12.9 million, profit from operations of US$ 2.1 million and net profit of US$ 0.6 million, as compared to revenues of US$ 18.9 million, profit from operations of US$ 6.3 million and net profit of US$ 5.0 million reported in Q4 2016, and as compared to revenues in Q3 2017 of US$ 11.3 million, loss from operations of US$ 11,000, and a net loss of US$ 0.5 million.

The decrease in overall revenues year-over-year and the consequential decline in Group profitability stemmed primarily from higher than normal surplus inventories of polished diamonds, which built up in the mid-stream in the third quarter of 2017 and continued through mid-December in the fourth quarter, driving manufacturers to slow production and hold off on capital expenditures. In addition, the ongoing illicit operations of parties infringing our intellectual property (IP) further affected our sales of capital equipment but not our recurring revenues (a record number of 10 million stones were scanned in 2017). The illicit competition has had two types of effect on our sales – a) delayed decision-making, as potential customers await the resolution of pending legal actions, as detailed in section 10, prior to purchasing any new equipment, and b) actual sales made by the infringing party. Indications are that the latter are primarily in systems or services for smaller stones, mostly sub-carat in size. The year-over-year results for FY2017 versus FY2016 were primarily impacted by lower capital equipment sales, in general, and Galaxy family equipment sales, in particular, and by higher General and Administrative expenses, as we are aggressively fighting IP infringements, as detailed in section 10. Group operating expenses were further increased in FY2017 by an approximate 10% decline of the US$ versus the NIS in Israel, where most of our compensation expenses, especially in R&D, are incurred.

The sequential increase in revenues and return to profitability in Q4 2017 was primarily due to a gradual improvement in sentiment in the Indian diamond manufacturing industry, towards the very end of the year, as surplus inventories declined during the holiday season. It was also partly due to lower operating expenses, mainly related to the reversal in Q4 2017 of most of the accrued incentive-based compensation, which had been accrued earlier during the year, following the overall weak FY2017 results.

With deliveries in Q4 2017 of 11 Galaxy® family systems to customers, comprising 6 Galaxy® systems (five of which were outside India) and 5 Meteor™ systems, the Group had an installed base of 345 Galaxy® family systems as of December 31, 2017. Overall recurring revenues for 2017 (including Galaxy®-related, Quazer® services, polished diamond related ("Trade") services, annual maintenance contracts, spare parts, etc.) represented just under half of our overall revenue. Overall polished diamond retail-related revenues, currently from the Sarine Profile™ and its various components (Sarine Light™, Sarine Loupe™, Sarine Connect™, etc.), represented 2% of our overall revenue for FY2017.

Balance Sheet and Cash Flow Highlights

As at December 31, 2017, cash and cash equivalents and short-term investments (bank deposits) ("**Cash Balances**") decreased to US$ 29.1 million as compared to US$ 38.0 million as of December 31, 2016. The decrease in Cash Balances was primarily due to the payment of US$ 15.8 million in dividends in 2017 (US$ 8.8 million final dividend paid in Q2 2017 for 2016 and the US$ 7.0 million interim 2017 dividend paid in September 2017), the repurchase of US$ 0.6 million of Sarine shares in the open market, and due to expenditures associated with Group's completed new facilities in Surat India, offset by the Group's operating results and lower inventory levels and payables.

Revenues

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

2017 versus 2016				
Region	**2017**	**2016**	**$ change**	**% change**
India	40,441	57,063	(16,622)	(29.1)
Africa	5,200	2,420	2,780	114.9
Europe	2,787	2,459	328	13.3
North America	1,048	1,586	(538)	(33.9)
Israel	3,883	4,016	(133)	(3.3)
Other*	5,285	4,980	305	6.1
Total	58,644	72,524	(13,880)	(19.1)

Q4 2017 versus Q3 2017				
Region	**Q4 2017**	**Q3 2017**	**$ change**	**% change**
India	7,406	7,272	134	1.8
Africa	2,006	1,412	594	42.1
Europe	872	417	455	109.1
North America	201	274	(73)	(26.6)
Israel	1,178	862	316	36.7
Other*	1,274	1,048	226	21.6
Total	12,937	11,285	1,652	14.6

Q4 2017 versus Q4 2016				
Region	**Q4 2017**	**Q4 2016**	**$ change**	**% change**
India	7,406	15,223	(7,817)	(51.3)
Africa	2,006	627	1,379	219.9
Europe	872	594	278	46.8
North America	201	251	(50)	(19.9)
Israel	1,178	912	266	29.2
Other*	1,274	1,310	(36)	(2.7)
Total	12,937	18,917	(5,980)	(31.6)

*primarily Asia, excluding India

The Group reported revenues for the year ended December 31, 2017 of US$ 58.6 million, as compared to revenues of US$ 72.5 million for the year ended December 31, 2016. The Group reported revenues in Q4 2017 of US$ 12.9 million, as compared to revenues of US$ 18.9 million in Q4 2016, and as compared to revenues in Q3 2017 of US$ 11.3 million.

The decrease in revenues on a year-over-year basis, mainly in India, was primarily due to lower capital equipment sales as a result of above average overstocking of inventory levels in the midstream, and the illicit competition in India, from the infringement of our patent for the Galaxy® family of systems and the copyright of our Advisor® planning software. It is notable that though substantially fewer rough diamonds were sold into the midstream, particularly in the second half of the year, recurring revenues are flat, which indicates that we have not been impaired by the infringing parties' activities as pertaining to our scanning of larger stones (see section 10 for more details). On a quarterly sequential basis, the increase in revenue was primarily due to higher diamond manufacturing equipment sales, especially Galaxy® family systems offset somewhat by lower recurring revenues, which resulted, characteristically in Q4, from the Diwali holiday in India.

Cost of sales and gross profit

Cost of sales for the year ended December 31, 2017 decreased to US$ 19.3 million, versus US$ 22.2 million for the year ended December 31, 2016, with gross profit margins of 67% in FY2017 versus 69% in FY2016. Cost of sales in Q4 2017 decreased to US$ 4.5 million, as compared to US$ 5.3 million in Q4 2016, with a gross profit margin of 65% in Q4 2017 versus 72% in Q4 2016. The decrease in cost of sales on a year-over-year basis, and the decline of the gross profit margin was primarily due to significantly lower sales volumes in 2017. On a sequential basis, cost of sales increased in Q4 2017 to US$ 4.5 million, as compared to US$ 3.9 million in Q3 2017, with a gross profit margin of 65% in Q4 2017 versus 66% in Q3 2017. The increase in cost of sales on a sequential basis was primarily due to higher sales volumes. The modest decline in gross profit margin, was primarily due to product mix.

Research and development expenses

Research and development expenses for the year ended December 31, 2017, Q4 2017 and the comparable periods are shown in the table below. The Group has capitalised, beginning Q3 2017 (in compliance with IFRS), costs associated with the development of the Sarine Clarity™ and Sarine Color™ systems, resulting in lower reported expenses in FY2017, as compared to the comparable periods in FY2016. These systems are planned to be in actual revenue-generating commercial use in Q1 2018, as we commence grading polished diamonds' 4C's in our Sarine Technology Lab in February, as more fully discussed in section 10 below.

US$ (thousands)	2017	2016	Q4 2017	Q4 2016	Q3 2017
R&D expenses as reported	10,519	10,844	2,014	2,714	2,430
Capitalised development	756	--	353	--	403
Total R&D costs incurred	11,275	10,844	2,367	2,714	2,833

Research and development costs for the year ended December 31, 2017 of US$ 11.3 million increased versus US$ 10.8 million in FY2016 primarily due to higher employee-related expenses. The increase in employee related expenses was primarily due to the approximate 10% decline of the US$ versus the NIS in Israel. Research and development costs in Q4 2017 of US$ 2.4 million decreased as compared to US$ 2.7 million in Q4 2016 and as compared to US$ 2.8 million in Q3 2017, as we started reducing outsourcing expenses relating to the development of the Sarine Clarity™ and Sarine Color™ systems and was also due to the reversal in Q4 2017 of accrued incentive-based compensation, which had been accrued earlier during the year. 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 the year ended December 31, 2017 were US$ 13.6 million, virtually flat as compared to FY 2016, with increased marketing, advertising and business development expenses, offset by significantly lower incentive-based compensation. Sales and marketing expenses for Q4 2017 of US$ 3.0 million decreased as compared to US$ 3.5 million in Q4 2016 and US$ 3.4 million in Q3 2017. The decrease in sales and marketing expenses in Q4 2017 was primarily due to the reversal in Q4 2017 of incentive-based compensation, due to the weaker than expected sales figures in 2017.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2017 of US$ 5.8 million increased versus US$ 4.7 million for FY2016. General and administrative expenses for Q4 2017 increased to US$ 1.4 million as compared to US$ 1.1 million in Q4 2016, and decreased as compared to US$ 1.6 million in Q3 2017. The year-over year increase in general and administrative expenses in FY2017 versus the comparable periods in FY2016 were primarily due to higher third-party professional fees, mainly related to IP protection actions (primarily, but not solely, in India; see section 10), offset somewhat by lower incentive based compensation accruals in 2017. The sequential decrease in general and administrative expenses in Q4 2017 as compared to Q3 2017 was primarily due to lower third-party professional fees, mainly related to a hiatus in many of our court-related IP protection activities during the Diwali holiday in India, as well as the reversal in Q4 2017 of accrued incentive-based compensation.

Profit from operations

Profit from operations for the year ended December 31, 2017 was US$ 9.4 million as compared to US$ 21.2 million for the year ended December 31, 2016. Profit from operations for Q4 2017 was US$ 2.1 million as compared to US$ 6.3 million in Q4 2016 and a loss from operations of US$ 11,000 in Q3 2017. The decrease in profit from operations in FY2017 on a year-over-year basis was primarily due to decreased capital equipment sales, as compared to FY2016 as detailed above. The sequential increase in profit from operations in Q4 2017 as compared to Q3 2017 was primarily due to increased revenues from capital equipment sales and due to lower operating expenses, as detailed above.

Net finance income

Net finance income for the year ended December 31, 2017 was US$ 17,000 versus income of US$ 0.8 million for the comparable period in 2016. Net finance expense for Q4 2017 was US$ 89,000, as compared to an expense of US$ 2,000 in Q4 2016 and net finance income of US$ 53,000 in Q3 2017. The decrease in net finance income for the year ended December 31, 2017, as compared to the comparable period in 2016, was due to exchange rate difference expenses in 2017, as compared to income in 2016, the recognition of an interest charge of US$ 0.1 million in 2017 and Q4 2017, related to prior period tax assessments settled in Israel, and the recognition of net finance income in 2016 of US$ 0.4 million relating to prior period tax assessments under dispute in India.

Income tax expense

The Group recorded an income tax expense of US$ 3.7 million for the year ended December 31, 2017, versus an expense of US$ 4.0 million for the year ended December 31, 2016. For Q4 2017, the Group recorded an income tax expense of US$ 1.4 million, as compared to an expense of US$ 1.3 million in Q4 2016 and an expense of US$ 0.6 million in Q3 2017. The minor decrease in income tax expenses in FY2017 as compared to FY2016 was primarily due to lower pre-tax profitability, as discussed above, offset by a write down of US$ 1.4 million (over 35% of the total yearly tax expense) of certain deferred and other tax assets. The increase in income tax expenses in Q4 2017 was due to the write down in Q4 2017 of US$ 1.0 million of certain deferred and other tax assets.

Profit for the period

For the year ended December 31, 2017, net profit decreased to US$ 5.8 million versus US$ 18.0 million for the year ended December 31, 2016. Net profit for Q4 2017 of US$ 0.6 million decreased as compared to US$ 5.0 million in Q4 2016, but improved sequentially from a net loss of US$ 0.5 million in Q3 2017. The decrease in net profit on a year-over-year basis was primarily due to significantly lower capital equipment sales, as detailed above. The sequential increase in net profit in Q4 2017 as compared to Q3 2017 was primarily due to increased revenues from capital equipment sales and due to lower operating expenses, as detailed above, offset by higher income tax expenses (including write down), also as discussed above.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the following industry trends to continue influencing our business:

a. Fundamental global economic indicators continue to be overall positive.

b. Courtesy of the 16th edition of Bain & Company’s annual global luxury study (October 2017):
   - Global personal luxury items (including accessories, apparel, jewellery and watches) retail volume exceeded US$ 325 billion in 2017 with real growth of some 5% year over year, and is projected to continue growing at 4-5% annually for the next three years. Sales in 2017 were boosted by the return of Chinese buying at home, as well as abroad, notably also with renewed spending in Hong Kong and Macau. Chinese consumers are the single largest market for personal luxury goods (32%), followed closely by North America (31%+). For diamond jewellery, North America is still the single largest market with some 40% of global sales, followed by China. Holiday season retail sales in the U.S. in 2017 grew overall by some 4.9%, with jewellery sales exceeding average with 5.8% growth year over year.

   - Online sales of luxury items grew an impressive 24% in 2017, led by accessories and apparel, though online sales of jewellery and watches also rose. The U.S. market accounted for nearly half of all global online sales – some US$ 28.5 billion. Brands are establishing an online presence more and more, with 31% of their sales now online. Still, forecasts project that even in 2025, online sales will only account for 25% of luxury item sales, with 75% remaining in stores. Federica Levato, a Bain partner and co-author of the study, opined “The growth of the online channel is remarkable, boosted by the ‘millennial state of mind’ that has permeated the luxury industry. But this doesn’t mean stores have lost their purpose – brands need to reinvent them to create an on-going engagement with customers that transcends channels.”

c. As polished inventory levels built up significantly commencing the third quarter of 2017, De Beers' sales of rough diamonds in the fourth quarter of 2017 declined significantly, reaching an unusually low level of US$ 376 million in October, US$ 466 million in November and US$ 455 million in December. Similarly, Alrosa's (primary Russian producer) sales also declined significantly in Q4 2017. Notably, the sales figures for both DeBeers and Alrosa for 2017 show that production declined more than sales, indicating continued selling off of stockpiles accumulated in 2015, and prices per carat also declined, as midstream demand softened and was more inclined towards lower-end goods. The first sight of 2018 was a more robust US$ 665 million, but still lower than the comparable sight in 2017 (US$ 729 million). Rough prices were flat. We believe this indicates a measured return to more normal midstream activity.

d. Midstream industry activity up until the very end of the fourth quarter continued to be muted, due to the excessive inventory build-up of polished diamonds. As expected, inventory levels were reduced by year-end holiday season sales, which were significantly stronger than in the preceding year (up 5.8% in the key U.S. market). Looking forward to at least the first half of 2018, midstream industry sentiment is positive, driven by evident shortages of specific categories of polished diamonds, and the consequential price increases, coming off the year-end holiday season, and bolstered by expectations for robust Chinese New Year and Valentine's Day spending.

e. Sales programs utilising Sarine Profile™ by retailers in the Asia Pacific (APAC) region, primarily in China and Japan, but also in ASEAN countries, continue to expand. Of note is the launch with Chinese retailer JAFF, a chain of some 200 outlets, a brand belonging to King One, which comprises in total over 1,000 stores. Also of note is the launch with Chinese retailer JASS, a smaller chain of very high-end luxury jewellery. Both of these launches are scheduled for immediately after the upcoming Chinese New Year. Following a very successful trade show in January in Japan, ten new or expanded programs are being initiated, and additional retailers are adopting Sarine Profile™, including Bijoupiko with over 40 stores, Kawasumi with over 30 stores and Vanilla, a high-end retailer with two mega-stores in Hiroshima and Fukuyama. Our target for 2018 is to double the number of stones scanned.

f. We have, as announced 22 February 2018, enhanced the Sarine Profile™ with a new feature, the Sarine Diamond Journey™, which graphically documents and depicts the stone's transition from a unique rough stone to a one-of-a-kind polished gem. Leveraging on our extensive presence in the diamond industry's midstream, having scanned over ten million stones in 2017 for inclusion mapping and having planned many tens of millions of rough stones (some 40 million stones using our latest Advisor® family 7.0 software alone), we have launched a new captivating visualisation paradigm for showing the consumer the entire process that his/her unique diamond underwent. The rough stone can be shown as mined, as modelled and scanned, as planned, and as cut and polished at various stages, culminating in its final polished magnificence, creating an engaging personalised experience. This new capability provides the consumer with insight as to the painstaking craftsmanship that went into creating his/her unique jewel. It may, depending on data provided, also verify for the consumer where their rough stone was mined and reinforce their confidence in the responsible sourcing and manufacture of their diamond. Finally, as multiple stages of the stone's journey from the mine to their possession are documented, it may, in the future, be leveraged to create a secure chain of events for authentication record purposes.

g. We formally opened our new Sarine Technology Lab on 18 February 2018, enabled by our automated, consistent and objective AI-based Clarity and Color grading of polished diamonds. Along with our industry-leading technology for Cut and Symmetry grading, as well as technology acquired for the authentication of the graded polished diamonds, we can now provide the first-ever technology-driven 4Cs diamond reports. Significant midstream and downstream players have expressed interest in this unique offering.

h. We are now able to provide a unique packaged service tailored to each retailer's needs, comprising the baseline Sarine Profile™ with its various levels of imagery, hearts and arrows analysis, Cut 2D/3D proportions graphics, laser inscription viewing, etc. and various add-ons – our unique AI-based 4Cs grading report (including authentication of the polished stone), our Sarine Light™ light performance grading and our Sarine Diamond Journey™, as described in 10f. Our forte is that only we have the capability to package all the above informative features as one report. The fees for these services will range from US$ 30 per carat for stones of one carat (between .90 – 1.2 carats; prices for smaller or larger stones vary according to industry norms) to US$128 a carat, based on actual content. The guiding principle is that the customer pays less and gets more – e.g., the customer pays the current industry norm as for standalone 4Cs reports from the established gemmological labs, but gets the added-value content provided by the Sarine Profile™ and light performance grading or the Sarine Diamond Journey™. Based on the value proposition created by the very cost-effectively priced packages, all provided by Sarine under one roof, we believe we can double the number of stones scanned in 2017 and triple the revenues generated therefrom, as the average selling price should increase by some 60%.

i. We continue to see the illicit competition affecting sales of our inclusion mapping systems, particularly so for the systems for smaller stones. We expect the illicit competition to continue for at least another two quarters, though we have significant indications the industry is continually forsaking the use of the illicit technology. We delivered 11 systems in Q4, notably 6 of the Galaxy® model (five ex-India) and the rest of the Meteor™ model, bringing our installed base to 345 as of year-end 2017. Notably, we have not experienced a drop in the number of stones being processed by our installed base of inclusion mapping systems. On the contrary, 2017 was a record year in which we scanned over 10 million stones. On the backdrop of the significantly reduced DeBeers sights, as noted in [c] above, we believe this is indicative that we are not losing significant existing business and are expanding our customer base, illicit competition notwithstanding. Notably, as DeBeers sights are now increasing, also as noted in [c] above, we are seeing a commensurate increase in our scanning activities, with new scanning records being set.

j. The patent and copyright enforcement activities we are pursuing are:

- In the Indian judicial system, we are pursuing parallel lawsuits for patent infringement and copyright (software) infringement. In both actions we have requested interim injunctions to put an immediate halt to the infringing activities, pending the trials and final outcome of the matters. In the patent case, we are in the midst of the hearings related to this request. Concerning the copyright suit, the High Court of Gujarat overturned the decision of the lower court to deny our request for an interim injunction and ordered the lower court to reconsider the matter using specific criteria based on actual comparison of the software versions. The lower court is now hearing arguments by the parties on how that is to be done and by whom. On another related issue, we have filed a lawsuit against a customer who had purchased a Galaxy® system and who unlawfully and purposely manipulated the reporting of the sizes (carat weights) of the stones processed by their system in order to reduce the use fees owed the Group.
- U.S Enforcement – We have alerted major diamond importers and dealers that their supply of polished diamonds from India may contain goods that infringe Sarine's U.S. patents and copyrights, which, if not abated, could lead, under U.S. law, to the banning of importation of said infringing goods. We have encountered a spirit of cooperation from key U.S. retailers, and at the request of some retailers we are preparing additional information regarding the infringements. The supply chain inquiries submitted by some of the leading retailers have notably increased the pressure on the infringing parties in India.
- Technological – The newest Advisor® 7.0 has many enhanced features:
  - Comparative testing between Advisor® 7.0 and older versions (those which have been hacked by the illicit competition) shows the polished stones planned using the newer software have a significant tangible added value in actual dollar terms.
  - Advisor® 7.0 also has functionality specifically aimed at enabling the manufacturer to better meet today's retail trends for branding - optimising modified cuts, light performance enhancement, etc.

  These valuable add-ons, along with the commercial incentive noted above, continue to drive manufacturers to migrate upwards to the latest version of our Advisor®. To date, users of just under 11,000 installations of our 20,000+ installed planning systems have adopted the latest software, just over 50% of our installed base. Users who migrate upwards to Advisor® 7.0 block the infringing parties from offering them illicit services.
- Technological (cont.) – We have launched the revolutionary DiaExpert® Edge for the significantly refined modelling of a rough diamond's concave surfaces, as announced January 8th, which only interfaces with our Advisor® 7.0, thereby also adding incentive to migrate to the latest release.
- Commercial (Midstream) – We have launched our new Meteorite™, system, as announced January 21st, which is the most cost-effective system for scanning very small rough diamonds, under 0.35 carats in weight. The Meteorite™ specifically competes with the illicit competition on their main turf, as our analyses show that most of their scanning activities are of very small rough stones. We have already realised sales of this newest addition to our family of inclusion mapping systems.
- Commercial (Downstream) – We are leveraging our new relationships with major retailers launching Sarine Profile™-enhanced programs, to initiate same only with suppliers who have migrated to Advisor® 7.0. This too creates a strong commercial incentive to migrate, which precludes the use of infringing technologies (see above).

We will focus our research and development initiatives on the following objectives:

- **Polished diamond oriented systems**:
  - We will continue to enhance our **Sarine Profile**™:
    - Personalisation of the Sarine Profile™ by the diamond's consumer buyer, allowing the creation / importation of text, imagery, music and video (e.g., the proposal), as a means of personifying his / her message to the ultimate recipient of the purchased jewel.

        - Enhancement of our support of jewellery pieces, in addition to loose polished diamonds. As retail businesses display set jewellery more often than loose stones, this will significantly broaden the appeal and applicability of Sarine Profile™.
    - Further refinement of the **Sarine Clarity™ and Sarine Color™** AI-based grading capabilities, to achieve broader relevance to additional shapes and sizes of polished diamonds and even better accuracy and consistency.

- **Manufacturing products**:
    - **DiaExpert® Edge** – Further refine the newly launched DiaExpert® Edge for more accurate rough stone modelling.
    - **Galaxy® Tension Mapping** – We are extending our Galaxy® capabilities not only for inclusion detection but also for tension/stress detection and modelling. Understanding the location, structure and magnitude of the stress inside a rough stone is key for reducing the potential damage that can occur in a stone during laser sawing and other manufacturing processes. We are proceeding with large scale testing and expect to commence beta-installations of this feature in the second half of 2018.
    - **Axiom™** – We will release the third generation of our standard-setting Axiom™ system for the ultra-accurate (better than 10 micron accuracy) measurement of a polished diamond's proportions. The new system will provide for unmatched accuracy in the measurement of fancy shaped diamonds, including special modified branded shapes. This ability will enable the Sarine Profile™ to support far more accurate renditions of fancy and special shapes, including the more accurate analysis of their quality. As these diamonds typically do not get a Cut grade from gem labs, by empowering much better analyses of these diamonds, the Sarine Technology Lab will provide a far better means to document their quality.

11. Dividend

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

On 25 February 2018, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 1.5 cents per ordinary share for the full year ended 31 December 2017, with no change to the stated dividend policy of US 2.0 cents every six months

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

On 26 February 2017, the Board of Directors recommended the Annual General Meeting approve a final dividend of US 2.5 cents per ordinary share for the full year ended 31 December 2016, comprising the regular six month dividend of US 2.0 cents per ordinary share and a bonus dividend of US 0.5 cent per ordinary share.

(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 %
2017	5,267	20%/0%[1] / 10%[2,3]
2016	8,778	20%/0%[1] / 10%[2,3]

[1] The tax rate will be 20% (20% in 2016) for individual Israeli shareholders and 0% (0% in 2016) for Israeli corporate shareholders.
[2] The tax rate for the dividends for individual and corporate Singaporean shareholders is 10% (10% in 2016).
[3] Payments to shareholders of dividends distributed by the Company will be subject to a tax deduction at source at the rate of 20%, in compliance with Israeli tax directives. Tax amounts deducted from

dividend payments will be deposited with a trustee. A shareholder claiming eligibility for preferential tax treatment on dividend payments pursuant to Israeli tax laws or international tax treaties may apply to the trustee within 30 days of the distribution date providing all necessary details and documents, for reimbursement of excess deduction, subject to verification of such eligibility. Details regarding the application procedure shall be provided by the Company in the formal dividend announcement posted on the SGX.

(d) Date Payable

	Amount US$'000
10 May 2018***	5,267
11 May 2017	8,778

(e) Books Closure Date

5:00 PM on:

	Amount US$'000
02 May 2018***	5,267
03 May 2017	8,778

***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)

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
				2017			
				US$'000			
External revenues	40,441	5,200	2,787	1,048	3,883	5,285	58,644
Unallocated expenses							49,228
Profit from operations							9,416
Net finance income							17
Income tax expense							(3,669)
Profit for the year							5,764

	India	Africa	Europe	North America	Israel	Others	Consolidated
				2016			
				US$'000			
External revenues	57,063	2,420	2,459	1,586	4,016	4,980	72,524
Unallocated expenses							51,314
Profit from operations							21,210
Net finance income							755
Income tax expense							(3,985)
Profit for the year							17,980

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.

	2017 US$'000	2016 US$'000
Revenue reported for:		
First half-year ended 30 June	34,422	36,357
Second half-year ended 31 December	24,222	36,167
	58,644	72,524

	2017 US$'000	2016 US$'000
Profit for the period:		
First half-year ended 30 June	5,681	9,004
Second half-year ended 31 December	83	8,976
	5,764	17,980

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	12,286*	15,782

*Pending Annual General Meeting Approval.

19. Interested Person Transactions

The Company confirms that, during the year ended December 31, 2017, 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.

20. 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

25 February 2018