Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Profit and Loss Accounts (US$'000):

	GROUP Nine months ended September 30,			GROUP Quarter ended September 30,		
	2008	2007	Change %	2008	2007	Change %
Revenue	30,648	27,987	9.5	8,780	9,434	(6.9)
Cost of sales	10,527	9,419	11.8	3,009	3,328	(9.6)
Gross profit	20,121	18,568	8.4	5,771	6,106	(5.5)
Research and development costs	4,436	3,096	43.3	1,433	1,095	30.9
Selling and marketing expenses	5,744	4,860	18.2	1,783	1,744	2.2
General and administrative expenses	3,193	2,472	29.2	1,210	753	60.7
Profit from operations	6,748	8,140	(17.1)	1,345	2,514	(46.5)
Net finance income	368	731	(49.7)	206	247	(16.6)
Profit from ordinary activities before income tax	7,116	8,871	(19.8)	1,551	2,761	(43.8)
Income tax expense	718	2,363	(69.6)	383	721	(46.9)
Profit after tax	6,398	6,508	(1.7)	1,168	2,040	(42.7)
Share of loss of equity accounted investee	219	-	NM	127	-	NM
Profit for the period	6,179	6,508	(5.1)	1,041	2,040	(49.0)

Note to income statement:
Profit before income tax is stated after (crediting)/charging the following:

	GROUP Nine months ended September 30,			GROUP Quarter ended September 30,		
	2008	2007	Change	2008	2007	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Allowance for doubtful trade receivables	162	32	406.3	130	20	550.0
Depreciation and amortization expense	1,148	1,170	(1.9)	260	461	(43.6)
Interest income, net	417	829	(49.7)	100	253	(60.5)
Foreign currency translation loss/(gain)	49	98	(50.0)	(106)	6	NM
Warranty provision	126	78	61.5	54	26	107.7

NM - Not Meaningful.

1(b)(i) **A balance sheet (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

Balance Sheet as at

	Group		Company	
	30.09.08	31.12.07	30.09.08	31.12.07
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Investment in equity accounted investees	3,264	-	19,575	2,470
Property, plant and equipment	2,042	1,624	1,527	1,380
Intangible assets	13,504	1,312	901	1,299
Long term Investments & Loans	-	996	-	996
Deferred tax assets	1,098	419	1,058	368
Fund for employee severance benefits	9	9	-	-
	19,917	4,360	23,061	6,513
Current Assets				
Inventories	4,523	4,194	4,055	3,743
Trade receivables	1,264	1,298	999	1,123
Other receivables	3,062	1,469	2,667	1,257
Short-term investments	4,519	10,082	4,519	10,082
Cash and cash equivalents	11,095	15,188	9,614	14,384
	24,463	32,231	21,854	30,589
Current liabilities				
Trade payables	2,328	2,829	1,836	2,699
Other payables	4,217	4,078	4,216	3,518
Current tax payable	318	93	124	-
Warranty provision	288	252	269	235
	7,151	7,252	6,445	6,452
Net current assets	17,312	24,979	15,409	24,137
Non-current liabilities				
Long term liabilities	1,518	-	758	-
Employee benefits	343	191	303	170
	1,861	191	1,061	170
Net assets	35,368	29,148	37,409	30,480
Equity				
Share capital*		-	-	-
Reserves and retained earnings	35,368	29,148	37,409	30,480
Equity attributable to shareholders	35,368	29,148	37,409	30,480

*Less than one thousand US $

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

Zero borrowings from banks.

1(c) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated cash flow statement (US$'000) for the:

	GROUP Nine months ended September 30,		GROUP Quarter ended September 30,	
	2008	2007	2008	2007
Profit for the period	6,179	6,508	1,041	2,040
Adjustments for:				
Share-based payment expenses	238	286	83	111
Income tax expense	718	2,363	383	721
Amortization and depreciation	1,148	1,170	260	461
Share of loss of equity accounted investee	219	-	127	-
Foreign currency translation loss/(gain)	49	98	(106)	6
Interest expense	82	92	4	49
Interest income	(499)	(921)	(104)	(302)
Operating profit before working capital changes	8,134	9,596	1,688	3,086
Changes in working capital:				
Inventories	(329)	(668)	(374)	394
Trade receivables	34	(483)	587	(142)
Other receivables	(1,520)	767	(270)	(123)
Trade payables	(712)	(264)	(802)	(24)
Other payables	40	646	(730)	158
Warranty Provision	36	(52)	15	(11)
Long term investments & loans	520	-	520	-
Employee severance benefits, net	134	140	107	13
Cash generated from operations	6,337	9,682	741	3,351
Income taxes paid	(1,172)	(1,532)	(710)	(493)
Cash flows generated from operating activities	5,165	8,150	31	2,858
Investing activities:				
Purchase of property, plant and equipment	(1,146)	(941)	(107)	(159)
Acquisition of intangible asset	-	(1,124)	-	-
Acquisition of equity accounted investee	(3,007)	-	(1,878)	-
Acquisition of subsidiary, net cash acquired (appendix A)	(8,467)	-	-	-
Capitalization of R&D expenses	(781)	-	(542)	-
Interest received	499	921	104	302
Short terms investments, net	5,563	(907)	(4,519)	1,726
Cash flows generated from (used in) investing activities	(7,339)	(2,051)	(6,942)	1,869
Financing activities:				
Proceeds from exercise of share options ,net	24	71	-	-
Foreign currency translation loss/(gain)	(49)	(98)	106	(6)
Interest paid	(82)	(92)	(4)	(49)
Dividends paid	(1,812)	(3,654)	(1,812)	(1,646)
Cash flows used in financing activities	(1,919)	(3,773)	(1,710)	(1,701)
Net increase/(decrease) in cash and cash equivalents	(4,093)	2,326	(8,621)	3,026
Cash and cash equivalents at beginning of the period	15,188	12,118	19,716	11,418
Cash and cash equivalents at end of the period	11,095	14,444	11,095	14,444

Appendix A - Acquisition of subsidiary, net of cash acquired

	GROUP Nine months ended September 30,		GROUP Quarter ended September 30,	
	2008	2007	2008	2007
Working capital (excluding cash)	255	-	-	-
Property, plant and equipment	(94)	-	-	-
Intangible assets	(9,388)	-	-	-
Long term liabilities	760	-	-	-
Net cash outflow	(8,467)	-	-	-

Appendix B - Non cash activities:

Acquisition of Intangible assets	(2,349)	-	-	-
Long term investments & loans	476	-	-	-
Investments in subsidiaries	(476)	-	-	-
Long terms liabilities	758	-	-	-
Issuance of shares	1,591	-	-	-

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 equity

Group

	Share Capital*	Share Premium and reserves	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Group				
Balance at January 1, 2007	-	11,028	15,879	26,907
Share-based payments	-	286	-	286
Exercise of options	-	71	-	71
Dividend paid	-	-	(3,654)	(3,654)
Profit for the period ended September 30, 2007	-	-	6,508	6,508
Balance at September 30, 2007	-	11,385	18,733	30,118
Balance at January 1, 2008	-	11,465	17,683	29,148
Share-based payments	-	238	-	238
Exercise of options	-	24	-	24
Shares issued in connection with the Purchase of a subsidiary	-	1,591	-	1,591
Dividend paid	-	-	(1,812)	(1,812)
Profit for the period ended September 30, 2008	-	-	6,179	6,179
Balance at September 30, 2008	-	13,318	22,050	35,368

* Less than one thousand US dollars

Statement of changes in equity

Company -

	Share Capital*	Share Premium and reserves	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Company				
Balance at January 1, 2007	-	11,028	16,341	27,369
Share-based payments	-	286	-	286
Exercise of options	-	71	-	71
Dividend paid	-	-	(3,654)	(3,654)
Profit for the period ended September 30, 2007	-	-	6,890	6,890
Balance at September 30, 2007	-	11,385	19,577	30,962
Balance at January 1, 2008	-	11,465	19,015	30,480
Share-based payments	-	238	-	238
Exercise of options	-	24	-	24
Shares issued in connection with the Purchase of a subsidiary	-	1,591	-	1,591
Dividend paid	-	-	(1,812)	(1,812)
Profit for the period ended September 30, 2008	-	-	6,888	6,888
Balance at September 30, 2008	-	13,318	24,091	37,409

* Less than one thousand US dollars

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.

	As of September 30	
	2008	2007
	No. of shares	No. of shares
Authorized:		
Ordinary Shares with no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary Shares with no par value	260,747,225	253,555,500

Details of changes in share options

	Average Exercise Price in US cents per share	Options
At January 1, 2008	19.2	8,983,000
Granted	21.3	2,010,000
Cancelled	23.8	(625,000)
Exercised	8.6	(282,500)
At September 30, 2008	18.9	10,085,500

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, 2007 have been applied in the preparation for the financial statements for the three and nine month period ending September 30, 2008.

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 nine months ended September 30		For the three months ended September 30	
	2008	2007	2008	2007
Basic profit per share (US cents)	2.40	2.57	0.40	0.80
Diluted profit per share (US cents)	2.39	2.53	0.40	0.79

Basic earnings per share for the nine months ended September 30, 2008 are calculated based on the weighted average number of 257,233,675 ordinary shares issued during the current period and 253,220,683 during the preceding period.

Diluted earnings per share for the nine months ended September 30, 2008 are calculated based on weighted average number of 258,004,389 ordinary shares issued and 257,475,701 during the preceding period.

Basic earnings per share for the three months ended September 30, 2008 are calculated based on the weighted average number of 260,720,412 ordinary shares issued during the current period and 253,555,500 during the preceding period.

Diluted earnings per share for the three months ended September 30, 2008 are calculated based on weighted average number of 260,744,551 ordinary shares issued and 257,772,584 during the preceding period

7. **Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the:-**
   (a) Current financial period reported on; and
   (b) Immediately preceding financial year.

	Group		Company	
	September 30, 2008	December 31, 2007	September 30, 2008	December 31, 2007
Net asset value per ordinary share (US cents)	13.56	11.49	14.35	12.02

Net asset value per share is calculated based on the number of 260,747,225 ordinary shares in issue at September 30, 2008 and 253,605,500 at December 31, 2007.

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

Nine months and the quarter ended September 30, 2008 vs. nine months and the quarter ended September 30, 2007

Overview

Sarin Technologies is a worldwide leader in the development and manufacturing of advanced planning, evaluation, processing and measurement equipment for diamond production and grading.

In the nine months ended September 30, 2008, the Group recorded 9.5% growth in revenues to US$30.6 million, in comparison to the nine months ended September 30, 2007. The growth can be attributed to the strong demand mainly in the first six months of the year for our traditional products as well as improved sales of the Quazer green laser system, which contributed about 10% of total revenues in the nine months ended September 30, 2008.

On the expense side, a larger R&D team added to costs, as we continued to invest in upgraded and new products resulting in higher Research and Development costs. Higher sales and marketing expenses were also incurred to support our growth in India and Africa as well as to support our activities in newly emerging markets.

As a result for the negative developments in the world's economy and in order to retain profitability, the Group has undertaken to reduce its operating expenses in both labor and other expenses. Currently planned cuts will reduce overall operating expenses by approximately 20%, primarily in R&D but also in Sales and Marketing and G&A.

The weakening of the US$ compared to the New Israeli Shekel (NIS) increased our overall expenses for the nine months ended September 30, 2008, primarily due to manpower costs for employees in Israel. Commencing in the third quarter, and more significantly so far in the fourth quarter of 2008 we have seen a reversal in the trend experienced the first six months of this year, and the US$ has gained value against the NIS, If this trend continues, our manpower costs realised in NIS but reported in US$ will decrease.

As a result, the Group's profit before tax for the nine months ended September 30, 2008 decreased by 19.8% to US$7.1 million, compared to the nine months ended September 30, 2007. However, profit after tax decreased only by 1.7% to US$ 6.4 million due to tax benefits resulting from an elective change in the base currency used for tax reporting by Sarin, in accordance with new tax provisions under the Israeli tax ordinance.

As previously reported, the Company has started to incorporate the results of its acquisitions, Galatea and IDEX, into its reports. Galatea is being fully consolidated into our reports as of June 30, 2008, but the profit and loss is being taken as of May 15, 2008 which was the closing date of the acquisition. As Sarin held 23% of IDEX as of September 30, 2008, we accounted for only our equity share in IDEX's results for Q3.

Revenues

In Q3 2008 the Group recorded a decrease in revenues of 6.9% which reflects sales of US$ 8.8 million, compared to US$ 9.4 in Q3 2007.

Revenue by geographic segment Q3 2008 (US$ '000)

Region	Q3 2008	Q3 2007	$ change	% change
India	6,645	6,150	495	8%
Africa	513	1,415	-902	-63.7%
Europe	668	458	210	45.9%
North America	360	350	10	2.9%
Other	594	1,061	-467	-44.0%
Total	8,780	9,434	-653	-6.9%

Compared to the revenues in the previous quarter and Q3 2007, the Group faced a weaker market, primarily towards the end of Q3 2008. The uncertainties in the global economic situation caused customers to reduce or delay their purchases.

By region, India registered an 8% increase in revenue to US$ 6.6 million in Q3 2008. The revenues from India originated mainly from continuing sales of our core rough-planning products. Revenues from Africa decreased by 63.7% from US$ 1.4 million in Q3 2007 to US$ 0.5 million in Q3 2008. This decrease must be viewed in the context that in Q3 2007 we realised exceptionally strong sales in Africa - over 50% of the annual sales to that market segment. However, the global economic slowdown, commencing September, has had impact on this market segment. Revenues from Europe increased by 45.9% to US$ 0.67 million in Q3 2008, mainly due to more Quazers having been sold in Europe. Revenues from North America remained stable at US$ 0.3 million. Revenues from the Other area declined by 44.0% or US$ 0.47 million to US$ 0.6 million in Q3 2008. The decrease in revenues in the Other area was primarily from Australia, US$ 0.2 million, Hong Kong China and Russia, collectively about US$ 0.1 million and others. All these three segments' changes are less significant in real terms, due to the relative small size of these markets.

Nine months revenue by geographic segment (US$ '000)

Region	Nine months ended September 30 2008	Nine months ended September 30 2007	$ change	% change
India	22,677	19,650	3,027	15.4%
Africa	2,422	1,831	591	32.3%
Europe	1,876	1,331	545	40.9%
North America	1,303	1,249	54	4.3%
Other	2,370	3,926	-1,556	-39.6%
Total	30,648	27,987	2,661	9.5%

For the nine months ended September 30, 2008 we attained revenues growth of 9.5% to US$ 30.6 million compared to the nine months ended September 30 2007. We experienced growth from our core rough-planning products as well as from our Quazer product which contributed about 10% of our revenues. By region, in the nine months ended September 30, 2008 revenues from India grew by 15.4% to reach US$ 22.7 million, up from US$ 19.7 million in the nine months ended September 30, 2007. Revenues from the Africa segment recorded significant growth, as a result of the policies in the southern African countries to increase domestic processing of their domestic diamond resources. In the nine months ended September 30, 2008 revenues from Africa achieved 32.3% growth from US$ 1.8 million in the nine months ended September 30, 2007 to US$ 2.4 million in the nine months ended September 30, 2008. Higher sales of our Quazer resulted in revenues in Europe growing from US$ 1.3 to US$ 1.9 million, a 40.9% increase. North America registered a minimal increase in revenues of approximately US$ 50,000 or 4.3% to US$ 1.3 million. Revenue from the Other region declined this period by 39.6% to US$ 2.4 million in comparison to US$ 3.9 million in the nine months ended September 30 2007, with slower sales recorded primarily from China and Hong Kong.

Cost of sales and gross profit

With the increase in revenues, cost of sales increased as well 11.8% to US$ 10.5 million in the nine months ended September 30, 2008 from US$ 9.4 million in the nine months ended September 30, 2007. Our gross profit margin in the nine months ended September 30, 2008 was 65.7%, in line with our historical performance, as compared to 66.3% in the nine months ended September 30, 2007. The minimal decrease in the gross profit margin was due to changes in the mix of products delivered during the nine months ended September 30, 2008 in comparison to the nine months ended September 30, 2007, primarily the increase in Quazer sales.

Our gross profit margin in Q3 2008 was 65.7%, compared to 64.7% in Q3 2007. The increase in the gross profit margin was due to changes in the mix of products delivered during Q3 2008 in comparison to Q3 2007, primarily as less Quazers were sold this quarter as the global slowdown delayed some Quazer sales.

Research and development costs

Sarin has increased its research and development expenses to support its pipeline of new products and enhancements and upgrades to our existing product line. The increase in research and development costs in the nine months ended September 30, 2008 in comparison to the nine months ended September 30, 2007 was 43.3% from US$ 3.1 million to US$ 4.4 million, due mainly to the increase in manpower costs. The devaluation of the US$ compared to the NIS, primarily in the first six months of the year was also a contributing factor to the increase of the R&D manpower costs, with a perceived reversal of trend currently apparent. As mentioned in the overview, the Group has undertaken steps to reduce its operating expenses. A significant portion of this reduction will be in our R&D expenses, as non-core projects are slowed or postponed. The Galatea product launch will not be affected by these reductions.

In Q3 2008 R&D expenses were US$ 1.4 million – 30.9% and US$ 0.3 million higher when compared to Q3 2007, but about 7.8% and US$ 0.12 million lower than the expenses incurred during Q2 of 2008, mainly due to lower manpower costs.

In compliance with IFRS accounting requirements, we capitalised about US$ 570,000 in R&D expenses related to the Galatea product in Q3 2008. We expect to continue to capitalise Galatea's R&D expenses until the start of revenue contribution from the Galatea product, which is expected in 2009.

Selling and marketing expenses

The increase in the selling and marketing expenses in the nine months ended September 30, 2008 in comparison to the nine months ended September 30, 2007 was 18.2% from US$ 4.9 million to US$ 5.7 million. Higher sales in general increased the overall compensation paid to our sales team and agents. We also faced additional expenses for manpower as a result of the devaluation of the US$ against the NIS, as noted above. We faced higher operating expenses for our sales activities specifically in India, China and Africa, as detailed below. The Group employed more employees in India, as our operations grew in scale. We spent more in China on marketing efforts, with limited results. We also spent more in Africa to support our growing sales. Our efforts in South Africa, as well as in Botswana and Namibia, in the first nine months of 2008 resulted, overall, in satisfying results, despite the weaker revenues realised this quarter.

Selling and marketing expenses remained increased by 2.2% to US$ 1.78 million in Q3 2008 in comparison to 1.74 million in Q3 2007. But compared to Q2 2008 selling and marketing expenses are lower by about US$ 0.4 million, primarily as a result of less spending on marketing and less commissions paid as a result of the lower revenues realised in Q3 2008 compared to Q2 2008.

General and administrative expenses

General and administrative expenses increased by 29.2%, or US$ 0.7 million, during the nine months ended September 30, 2008 from US$ 2.5 million up to US$ 3.2 million. Higher legal expenses, primarily due to the arbitration (now ended successfully, as reported) against Credit Suisse in the US, higher provisions for doubtful amounts, and higher compensation expenses, mainly due to the devaluation of the US$ against the NIS, as mentioned above.

During Q3 2008 general and administrative expenses grew by 60.7% compared to Q3 2007, from US$ 0.75 million to US$ 1.2 million, due primarily to more legal expenses for IP protection, and the Credit Suisse arbitration process which satisfactorily completed in Q4 2008, higher provisions for doubtful amounts and other one time expenses totaling approximately US$ 135,000.

Finance income/expenses (net)

In the nine months ended September 30, 2008 the Company recorded a net finance income of about US$ 368,000 compared to a net finance gain of US$ 731,000 in the nine months ended September 30, 2007. Net interest income was only US$ 417,000 in the nine months ended September 30, 2008 compared to US$ 829,000 in the nine months ended September 30, 2007, due to the decrease in the interest rates on the US$ throughout 2007 and into the nine months ended September 30, 2008, as well as the decrease in our cash reserve balances. The devaluation of the US$ against the NIS contributed to a foreign currency translation loss of US$ 49,000 in the nine months ended September 30, 2008 compared to a loss of US$ 98,000 in the nine months ended September 30, 2007. A portion of our financial investments have been converted to NIS and other currency fluctuation protection mechanisms have been put in place in order to hedge against our expected operating expenses denominated in NIS.

In Q3 2008 the Company recorded a net finance income of about US$ 206,000 compared to a net finance gain of US$ 247,000 in Q3 2007. The Company realised this quarter a foreign exchange income of US$ 106,000 compared to a foreign exchange loss of US$ 6,000 in Q3 2007.

As reported, our claim and legal process against Credit Suisse was satisfactorily completed in Q4 2008 by our receiving full face value of US$ 1 million on the paper in dispute. As a result a financial income of US$ 0.5 million will be recognized in Q4 2008.

Profit from ordinary activities before income tax

Due to the above-noted increases in all our operating expenses and the decrease in our financial income, the profit before tax in the nine months ended September 30, 2008 amounted to US$ 7.1 million in comparison to US$ 8.9 million in the nine months ended September 30, 2007, representing a decrease of 19.8% or US$ 1.8 million. Our profit before tax margin decreased from 31.7% of revenue in the nine months ended September 30, 2007 to 23.2% in the nine months ended September 30, 2008.

For Q3 2008 period the Company recorded US$ 1.55 million profit before tax, compared to US$ 2.76 million in Q3 2007, representing a decrease of 43.8%.

Income tax expenses

The statutory corporate tax rate in Israel decreased from 29% in 2007 to 27% in 2008 (the tax rate is planned to decrease further to 26% in 2009 and to 25% in 2010).

An elective change in the income tax reporting currency for Sarin resulted in a net tax expense for Q3 2008 of US$ 383,000 and for the nine months ended September 30, 2008 reduced tax expenses to only US$ 718,000. In addition to this change of the base currency in which we report to the tax authorities, an adjustment of tax benefits related to the approved enterprise benefits was also incurred.

Share of loss of equity accounted investee

Based on IDEX's results in Q3 2008 the Company recorded a loss of US$ 127,000 for the period. For the first nine months of 2008 a total loss of US$ 219,000 has been recorded.

Net profit

We recorded a net profit of US$ 6.2 million in the nine months ended September 30, 2008 in comparison to US$ 6.5 million in the nine months ended September 30, 2007, representing a decrease of 5.1%. Our net profit margin decreased from 23.3% of revenue in the nine months ended September 30, 2007 to 20.2% in the nine months ended September 30, 2008. The main reason for the minimal decrease in our net profit and in the net profit margin is the lower tax expenses, as discussed above, offsetting higher operating expenses (bolstered R&D, development of new markets, new acquisitions and a weaker US$). For Q3 2008 we achieved a net profit of US$ 1.0 million compared to US$ 2.0 million in Q3 2007, representing a decrease of US$ 1.0 million or 49.0%.

Balance Sheet

The investment in Galatea created a substantial additional amount of US$ 11.75 million presented as intangible assets mainly attributed to In-process R&D as of September 30, 2008.

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 to influence our business through the end of 2008 as well as into 2009:

a. The global economic slowdown has slowed our business, primarily for the following reasons:

   - Consumers, primarily in the US (the world's single largest market for polished diamonds), but elsewhere as well, are delaying discretionary spending in general and the purchase of luxury items, such as diamonds, in particular, during the current financial crisis. Although the diamond jewellery consumer market in the US has historically been relatively immune to economic variants, as discussed in previous reports, the recent events, due to their extent and pace have had negative impact on sales.
   - The credit freeze which followed on the financial crisis, has created further difficulties both for consumers and for players in the diamond industry itself. This may contribute further to a slowdown in the industry in general, and to a slowing of capital equipment expenditures in particular.

b. The global economic slowdown may also have positive side-effects for our business longer term:
   - Recent reductions in the prices of rough diamonds, by various sources, may, over time, reduce the cost to the consumer and may induce more sales, which would create the need for more production capacity.
   - Recent reductions in the prices of polished diamonds may contribute to increased sales of polished diamonds and thus may shorten the current market slowdown's duration. However, in the short term, this may actually create losses for players in the supply chain with stocks of finished goods.

c. The Russian diamond industry is on hold, as a result of repeated delays in expected actions to be taken by the Russian government, which may result in a significant increase in the export of Russian raw material at the expense of local manufacturing.

d. The southern Africa region continues to create more opportunities for the sale of our products to this emerging market, albeit the global slowdown is having its effects felt in this region, as well.

Due to the current uncertainty in the market, the Group has currently taken steps to reduce approximately 20% of its operating expenses relative to its current burn rate. The operating expense savings includes both staff reductions as well as a reduction in other operating expenses. As a result of these cost reductions, the Group is focusing its Research and Development initiatives on projects that are likely to contribute significant revenues in the coming 12-month period. The Galatea product launch is not to be affected by the reductions in expenses being implemented.

Rough Planning Products: This line of products is the Group's primary contributor to revenue, and our share in the market continues to remain dominant. R&D efforts continue to focus on widening the gap, primarily concerning system effectiveness in increasing productivity and yield, between our products and the products of our competitors.

The Galatea product - intended for the fully automated high-speed evaluation of internal features in both rough and polished diamonds: Product launch remains on target. The product is expected to be commercially launched during the first half of 2009. Efforts are centered on the integration of the Group's current rough planning systems with the new Galatea technology, in order to offer the market a rough planning system with a fast and cost-effective ability to take into account internal features of the diamond.

Quazer: The Quazer is emerging as the most reliable laser sawing system on the market. It has been demonstrated to offer customers the highest productivity and lowest breakage rate available. Reduced R&D efforts are focused on improving the system's reliability even further.

Polishing Discs: Feedback from Indian customers, which we intend to ascertain after the Diwali holiday, will serve to decide whether this product is economically viable or not, most likely by year's end.

Colour Systems: The Colibri product for measuring the colour of a polished diamond has been adopted by a third important gemological institute.

Other issues which may affect Company's business in the next 12 months include:

Sales and marketing: Sales and marketing efforts in what we expect will be a challenging environment in 2009 will continue to focus on retaining our market share in India, while expanding in Africa and other key markets.

IP Protection: The Company has received a patent in India for its laser marking technology and has subsequently filed a lawsuit for patent infringement against competitors in India, who we believe infringe this patent.

IDEX Online: IDEX Online launched its unique online trading platform in June, as planned. Several hundred buyers and sellers have subscribed to this innovative service and limited transactions have commenced, but the global economic slowdown is expected to impede the adoption of this service.

11. Dividend

(a) 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?

Yes. The Board of Directors declared, on November 11, 2007, an interim dividend of US cent 1 per 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.

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.

See 11 (a) above.

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 interim financial results of the Company for the nine months and quarter ended 30 September 2008, to be false or misleading.

On behalf of the Directors

Daniel Benjamin Glinert

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