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,		
	2009	2008	Change %	2009	2008	Change %
Revenue	11,019	30,648	(64.0)	6,278	8,780	(28.5)
Cost of sales	6,250	10,527	(40.6)	3,291	3,009	9.4
Gross profit	4,769	20,121	(76.3)	2,987	5,771	(48.2)
Research and development expenses	2,621	4,436	(40.9)	936	1,433	(34.7)
Sales and marketing expenses	3,227	5,744	(43.8)	1,183	1,783	(33.7)
General and administrative expenses	1,626	3,193	(49.1)	541	1,210	(55.3)
Profit/(loss) from operations	(2,705)	6,748	NM	327	1,345	(75.7)
Net finance income	254	368	(31.0)	306	206	48.5
Profit/(loss) from ordinary activities before income tax	(2,451)	7,116	NM	633	1,551	(59.2)
Income tax expense	294	718	(59.1)	122	383	(68.1)
Profit/(loss) after tax	(2,745)	6,398	NM	511	1,168	(56.3)
Share of loss of equity accounted investee	255	219	16.4	88	127	(30.7)
Profit/(loss) for the period	(3,000)	6,179	NM	423	1,041	(59.4)
Foreign currency translation differences for foreign operations	151	-	NM	109	-	NM
Total recognized income and expense for the period	(2,849)	6,179	NM	532	1,041	(48.9)

Notes to income statement (US$'000):

Profit/(loss) from ordinary activities before income tax is stated after charging/(crediting) the following:

	Group Nine months ended September 30,			Group Quarter ended September 30,		
	2009	2008	Change %	2009	2008	Change %
Allowance for doubtful trade receivables	(217)	162	NM	12	130	(90.8)
Depreciation and amortization	1,963	1,148	71.0	842	260	223.8
Interest income, net	256	417	(38.6)	249	100	149.0
Foreign currency translation gain/(loss)	(2)	(49)	(95.9)	57	106	(46.2)
Warranty provision	(158)	126	NM	(15)	54	NM

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 (US$'000) as at:

	Group		Company	
	30.09.09	**31.12.08**	**30.09.09**	**31.12.08**
Non-current assets				
Investment in equity accounted investee and subsidiaries	1,024	1,279	21,475	20,011
Property, plant and equipment	1,957	2,128	1,289	1,356
Intangible assets	12,829	13,874	554	873
Deferred tax assets	67	59	-	-
Fund for employee severance benefits	9	9	-	-
	15,886	17,349	23,318	22,240
Current Assets				
Inventories	2,452	4,685	1,855	4,048
Trade receivables	768	573	342	486
Other receivables	916	1,077	585	751
Current tax receivables	-	1,828	-	1,828
Short-term investments	3,704	2,100	3,704	2,100
Cash and cash equivalents	11,271	9,910	9,550	8,699
	19,111	20,173	16,036	17,912
Current liabilities				
Trade payables	825	1,114	599	858
Other payables	3,469	3,647	3,479	3,606
Current tax payable	441	289	274	124
Warranty provision	82	263	65	246
	4,817	5,313	4,417	4,834
Net current assets	14,294	14,860	11,619	13,078
Non-current liabilities				
Long term liabilities	1,999	1,518	758	758
Employee benefits	308	240	241	180
	2,307	1,758	999	938
Net assets	27,873	30,451	33,938	34,380
Equity				
Share capital*	-	-	-	-
Share premium, reserves and retained earnings	27,873	30,451	33,938	34,380
Equity attributable to shareholders	27,873	30,451	33,938	34,380

*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,	
	2009	**2008**	**2009**	**2008**
Profit/(loss) for the period	(3,000)	6,179	423	1,041
Adjustments for:				
Share-based payment expenses	233	238	110	83
Income tax expense	294	718	122	383
Amortization and depreciation	1,963	1,148	842	260
Share of loss of equity accounted investee	255	219	88	127
Foreign currency translation loss/(gain)	2	49	(57)	(106)
Interest expense	49	82	19	4
Interest income	(305)	(499)	(268)	(104)
Operating profit/(loss)before working capital changes	(509)	8,134	1,279	1,688
Changes in working capital:				
Inventories	2,233	(329)	1,608	(374)
Trade receivables	(195)	34	(73)	587
Other receivables	161	(1,520)	(144)	(270)
Trade payables	(289)	(712)	69	(802)
Other payables	(25)	40	703	(730)
Warranty provision	(181)	36	(8)	15
Long term investments & loans	-	520	(1)	520
Employee benefits	68	134	68	107
Cash generated from operations	1,263	6,337	3,501	741
Income tax refunded/(paid)	1,679	(1,172)	1,860	(710)
Cash flows generated from operating activities	2,942	5,165	5,361	31
Investing activities:				
Acquisition of property, plant and equipment	(446)	(1,146)	(111)	(107)
Capitalization of R&D expenses	(304)	(781)	-	(542)
Acquisition of equity accounted investee	-	(3,007)	-	(1,878)
Acquisition of subsidiary, net of cash acquired (appendix A)	-	(8,467)	-	-
Interest received	305	499	268	104
Short-term investments, net	(1,604)	5,563	1,047	(4,519)
Cash flows (used in) generated from investing activities	(2,049)	(7,339)	1,204	(6,942)
Financing activities:				
Proceeds from exercise of share options	38	24	21	-
Receipt of long term grants	481	-	-	-
Interest paid	(49)	(82)	(19)	(4)
Foreign currency translation gain/(loss)	(2)	(49)	57	106
Dividends paid	-	(1,812)	-	(1,812)
Cash flows generated/(used in)from financing activities	468	(1,919)	59	(1,710)
Net increase (decrease) in cash and cash equivalents	1,361	(4,093)	6,624	(8,621)
Cash and cash equivalents at beginning of the period	9,910	15,188	4,647	19,716
Cash and cash equivalents at end of the period	11,271	11,095	11,271	11,095

Appendix A - Acquisition of subsidiary, net of cash acquired (US$'000):

	Group Nine months ended September 30,		Group Quarter ended September 30,	
	2009	2008	2009	2008
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 and 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 (US$'000)

	Share capital*	Share premium and reserves	Retained earnings	Total
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)
Total recognized income and expense for the period	-	-	6,179	6,179
Balance at September 30, 2008	-	13,318	22,050	35,368
Balance at January 1, 2009	-	13,275	17,176	30,451
Share-based payments	-	233	-	233
Exercise of options	-	38	-	38
Total recognized income and expense for the period	-	151	(3,000)	(2,849)
Balance at September 30, 2009	-	13,697	14,176	27,873

* Less than one thousand US$

Statement of Changes in Equity

Company (US$'000)

	Share capital*	Share premium and reserves	Retained earnings	Total
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)
Total recognized income and expense for the period	-	-	6,888	6,888
Balance at September 30, 2008	-	13,318	24,091	37,409
Balance at January 1, 2009	-	13,275	21,105	34,380
Share-based payments	-	233	-	233
Exercise of options	-	38	-	38
Total recognized income and expense for the period	-	151	(864)	(713)
Balance at September 30, 2009	-	13,697	20,241	33,938

* Less than one thousand US$.

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 a September 30	
	2009	2008
	No. of shares	No. of shares
Authorized:		
Ordinary shares of no par value	2,000,000,000	2,000,000,000
Issued and fully paid:		
Ordinary shares of no par value	262,707,225	260,747,225

Details of changes in share options

	Average Exercise price in US$ cent per share	Options
At January 1, 2009	18.6	9,827,500
Granted	9.5	6,009,148
Cancelled	20.8	(1,656,810)
Exercised	1.9	(1,960,000)
At September 30, 2009	16.5	12,219,838

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, 2008 have been applied in the preparation for the financial statements for the three and nine month periods ending September 30, 2009.

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,	
	2009	2008	2009	2008
Basic profit (loss) per share (US cents)	(1.15)	2.40	0.16	0.40
Diluted profit (loss) per share (US cents)	(1.15)	2.39	0.16	0.40

Basic earnings (loss) per share for the nine months ended September 30, 2009 are calculated based on the weighted average number of 261,425,467 ordinary shares issued during the current period and 257,233,675 during the preceding period.

Diluted earnings (loss) per share for the nine months ended September 30, 2009 are calculated based on the weighted average number of 261,425,467 ordinary shares and outstanding options during the current period and 258,004,389 during the preceding period.

Basic earnings per share for the three months ended September 30, 2009 are calculated based on the weighted average number of 261,935,486 ordinary shares issued during the current period and 260,720,412 during the preceding period.

Diluted earnings per share for the three months ended September 30, 2009 are calculated based on weighted average number of 263,696,349 ordinary shares and outstanding options and 260,744,551 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, 2009	December 31, 2008	September 30, 2009	December 31, 2008
Net asset value per ordinary share (US cents)	10.61	11.68	12.92	13.19

Net asset value per share is calculated based on the number of 262,707,225 ordinary shares in issue at September 30, 2009 and 260,747,225 at December 31, 2008.

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**

<u>Overview</u>

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

The decline in industry activity that resulted from the global-recession, which began in the latter part of 2008, indeed seems to have bottomed in Q1 2009, and business has been trending upwards over the past two quarters. Barring any additional systemic shocks to the worldwide economy, there is evidence to support the continued upwards trend for the rest of 2009.

On a sequential quarterly basis, revenue continued to rebound. Q3 2009 revenue increased 71% from the Q2 2009 levels and over 490% compared to the extremely depressed levels recorded in Q1 2009. The primary driver has been the continued recovery in diamond manufacturing activity, mainly in India.

Also, in Q3 2009, the Group continued to benefit from the significant steps taken in Q4 2008 and Q1 2009 to reduce operating expenses. For the nine months ended September 30, 2009, overall operating expenses decreased to US$ 7.5 million, as compared to US$ 13.4 million in the corresponding period the year before, representing a decrease of 44%. This reduction in operating expenses was realised in both the fixed (primarily) and the variable aspects of our expenses.

For Q3 2009, the Group recorded a $0.4 million profit, following three consecutive quarters of losses. The generation of positive cash flow from operating activities also accelerated in the current quarter as compared to Q2 2009. As of September 30, 2009, cash and cash equivalents and short-term investments increased to US$15.0 million from the US$ 9.4 million reported as of June 30, 2009 and from the US$ 8.3 million reported as of March 31, 2009. As of September 30, 2009, inventory declined to US$ 2.5 million from the US$ 4.1 million reported as of June 30, 2009 and from the US$ 5.2 million reported as of March 31, 2009. In addition, during Q3 2009, the Group realized a refund of approximately US $2.5 million, including interest and linkage from the Israeli Tax Authorities.

On a nine month period-over-period basis, the Group's results were materially impacted by the global financial and economic crises. For the nine months ended September 30, 2009, the Group recorded a 64% decline in revenue to US$ 11.0 million from the US$ 30.6 million recorded for the nine months ended September 30, 2008. As a result, the Group realised a significant decline in profitability, reporting a loss of $3.0 million for the nine months ended September 30, 2009, as compared to a profit of US$ 6.2 million reported for the nine months ended September 30, 2008.

Revenues

Revenue by geographic segment Q3 2009 (US$ '000)

Q3 2009 versus Q2 2009				
Region	**Q3 2009**	**Q2 2009**	**$ change**	**% change**
India	4,978	2,859	2,119	74.1
Africa	174	121	53	43.8
Europe	153	117	36	30.8
North America	516	57	459	805.3
Other	457	524	(67)	(12.8)
Total	6,278	3,678	2,600	70.7

Q3 2009 versus Q3 2008				
Region	**Q3 2009**	**Q3 2008**	**$ change**	**% change**
India	4,978	6,645	(1,667)	(25.1)
Africa	174	513	(339)	(66.1)
Europe	153	668	(515)	(77.1)
North America	516	360	156	43.3
Other	457	594	(137)	(23.1)
Total	6,278	8,780	(2,502)	(28.5)

Revenue by geographic segment for the nine months ended September 30, 2009 (US$ '000)

Jan. – Sept. 2009 versus Jan. – Sept. 2008				
Region	**1-9 2009**	**1-9 2008**	**$ change**	**% change**
India	8,557	22,677	(14,120)	(62.3)
Africa	333	2,422	(2,089)	(86.3)
Europe	317	1,876	(1,559)	(83.1)
North America	620	1,303	(683)	(52.4)
Other	1,192	2,370	(1,178)	(49.7)
Total	11,019	30,648	(19,629)	(64.0)

On a sequential basis, the Group's revenue continued to rebound from the depressed levels experienced earlier this year. Q3 2009 revenue increased by 71% as compared to Q2 2009, due to the ongoing recovery in diamond manufacturing activity, mainly in India. While the increase has been significant, revenue is still depressed compared to Q3 2008. Preliminary fourth quarter manufacturing activity, primarily in India, continues to be encouraging, but it is too early to determine if this recovery momentum will carry over into 2010. In Q3 2009, the Group sold two Quazer systems to the North American market, one of which was for industrial applications. These sales were the primary contributors to the 805% sequential jump in North American revenue.

The continued fall-out from the global-recession which began in the second half of 2008 has led to reduced revenues in virtually all geographic regions on a year-on-year basis, as detailed in the tables above. For the three months ended September 30, 2009, the Group recorded a 28.5% decline in revenue to US$ 6.3 million from US$ 8.8 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Group recorded a 64% decline in revenue to US$ 11.0 million from US$ 30.6 million for the nine months ended September 30, 2008.

Cost of sales and gross profit

Cost of sales for the three months ended September 30, 2009, increased by 9% to US$ 3.29 million, as compared to US$ 3.01 million for the three months ended September 30, 2008. This was primarily due to increased non-cash expenses of approximately $0.5 million related to the amortisation of the Galatea know-how and previously capitalised research and development costs as well as approximately $0.2 million related to the write-off of inventory items.

Cost of sales for the nine months ended September 30, 2009 decreased by 41% to US$ 6.25 million as compared to US$ 10.53 million for the nine months ended September 30, 2008. The decrease was due primarily to significantly reduced revenue over the period, offset somewhat by increased non-cash expenses of approximately $1.0 million related to the amortisation of the Galatea know-how and previously capitalised research and development costs and approximately $0.7 million related to the write-off of inventory.

Beginning in the most recent quarter, the Group saw a modest change in the contribution and profitability of the products sold in Q3 2009 as compared to Q3 2008, primarily related to specific incentives offered on certain select products in the most recent quarter, as compared to the corresponding period in 2008.

For Q3 2009, the gross profit margin of 48% was primarily affected by the Group's non-cash expenses discussed above being apportioned over reduced sales volumes. Excluding the impact of these non-cash charges recorded in Q3 2009, the gross margin would have been approximately 61%, affected by specific product incentives offered during Q3 2009 as compared to 66% for Q3 2008.

For the nine months ended September 30, 2009, the gross profit margin of 43% was primarily affected by the Group's non-cash expenses discussed above being apportioned over reduced sales volumes and also to a certain extent by specific product incentives offered during Q3 2009. Excluding the impact of the non-cash charges recorded during the nine months ended September 30, 2009, the gross margin would have been approximately 62% as compared to 66% for nine months ended September 30, 2008.

Research and development expenses

For the three months ended September 30, 2009, research and development expenses decreased by 35% to US$ 0.94 million from US$ 1.43 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, research and development expenses decreased by 41% to US$ 2.62 million from US$ 4.44 million for the nine months ended September 30, 2008. It should be noted that the 35% decrease in research and development expenses in Q3 2009 is inclusive of the research and development costs associated with Galatea, which were expensed in Q3 2009 but which were capitalised in the comparable quarter last year.

The decrease in expenses in Q3 2009 and for the nine months ended September 30, 2009 was due primarily to a reduction in manpower and other project-related expenses, offset somewhat by the cessation, beginning in Q2 2009, of the Group's capitalising of Galaxy-related development expenses, with the commencement of the commercialisation of Galatea's Galaxy 1000™ product in Q2 2009, as has been previously disclosed.

The Group continues to focus its research and development initiatives on projects that are expected to contribute to revenues over the next 12 months, as discussed in section 10 below.

Sales and marketing expenses

For the three months ended September 30, 2009, selling and marketing expenses decreased by 34% to US$ 1.18 million from US$ 1.78 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, selling and marketing expenses decreased by 44% to US$ 3.23 million from US$ 5.74 million for the nine months ended September 30, 2008.

The Group continues to realise the full benefit of the additional cost cutting measures that were implemented earlier this year. The decrease in expenses in Q3 2009 and for the nine months ended September 30, 2009 was primarily due to significantly lower fixed selling costs, reduction of non-essential staff and office expenses and trimmed expenditures on marketing activities, as well as reduced compensation paid to our sales team and agents as a result of weaker sales compared to the corresponding period last year. On a sequential basis, sales and marketing expenses increased by approximately $0.2 million in Q3 2009 as compared to Q2 2009, primarily due to increased commissions paid to our sales team and agents, resulting from the sequential increase in revenue in Q3 2009 as compared to Q2 2009.

General and administrative expenses

For the three months ended September 30, 2009, general and administrative expenses decreased by 55% to US$ 0.54 million from US$ 1.21 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, general and administrative expenses decreased by 49% to US$ 1.63 million from US$ 3.19 million for the nine months ended September 30, 2008.

The decrease in expenses for Q3 2009 and the nine months ended September 30, 2009 was primarily due to broad-based cost cutting measures, including reduction of managerial staff, lower directors' remuneration and lower fees to consultants and professional service providers (e.g. auditors and legal counsels), lower expenditures on the protection of intellectual property, and the absence of legal expenses recorded in Q3 2008 associated with the successful prosecution of our claim against Credit Suisse.

Net finance income/(expense)

For the three months ended September 30, 2009, the Group recorded net finance income of US$ 0.31 million as compared to net finance income of US$ 0.21 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Group recorded net finance income of $0.25 million as compared to net finance income of US$ 0.37 million for the nine months ended September 30, 2008. The increase in net finance income for Q3 2009 as compared to Q3 2008 was primarily due to interest and linkage income received in Q3 2009 associated with the Group's tax refund, offset by significantly lower interest rates as compared to the corresponding period last year. The decrease in net finance income for the nine months ended September 30, 2009 was primarily due to significantly lower interest rates on a lower level of invested funds as compared to the corresponding period last year.

Profit/(loss) from ordinary activities before income tax

For the three months ended September 30, 2009, the Group reported profit from ordinary activities before income tax of US$ 0.63 million compared to a profit from ordinary activities before income tax of US$ 1.55 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Group reported a loss from ordinary activities before income tax of US$ 2.45 million compared to a profit from ordinary activities before income tax of US$ 7.12 million for the nine months ended September 30, 2008. This decline in profitability was primarily due to the decline in revenue, as detailed above, offset somewhat by the realised benefit of the Group's cost containment measures implemented in Q4 2008 and Q1 2009.

Income tax expense

The statutory corporate tax rate in Israel in 2009 is 26% (27% in 2008). This rate is currently scheduled to decrease to 25% in 2010 and to gradually decline thereafter, until it reaches 18% in 2016.

For the three months ended September 30, 2009, the Group recorded an income tax expense of US$ 0.12 million as compared to US$ 0.38 million for the three months ended September 30, 2008. For the nine months ended September 30, 2009, the Group recorded an income tax expense of US$ 0.29 million, as compared to US$ 0.72 million for the nine months ended September 30, 2008.

As a result of losses from operating activities in Israel for the nine months ended September 30, 2009, the Group did not provide for income tax expenses in Israel. For the three and nine months ended September 30, 2009, the Group's income tax expense is attributable to taxable income from the profitable operations of the Company's Indian subsidiary.

Share of loss of equity accounted investee

For the three and nine months ended September 30, 2009, the Group's share of loss of equity accounted investee (IDEX) was US$ 0.09 million and US $0.26 million, respectively, as compared to US$ 0.13 million and US$ 0.22 million, for the three and nine months ended September 30, 2008, respectively. Beginning in Q2 2008, the Group began recognizing its equity share in the results of IDEX.

Profit/(loss) for the period

For the three months ended September 30, 2009, the Group reported a net profit of US$ 0.42 million compared to US$ 1.04 million for the three months ended September 30, 2008, representing a US$ 0.62 million or 59% decline in net profit. For the nine months ended September 30, 2009, the Group reported a net loss of US$ 3.0 million compared to net profit of US$ 6.18 million for the nine months ended 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 influencing our business:

a. As previously forecasted, industry activity indeed seems to have bottomed in Q1 2009. Barring any additional systemic shocks to the worldwide economy, we expect it to continue to trend upwards for the rest of 2009. As for 2010, we believe the continued recovery is dependent on sales and confidence data from the upcoming holiday season at the end of the year.

b. The diamond business in the United States continues to be slow. There are some estimates projecting a further slowing of the general luxury goods business by an additional 10% in 2010. Conversely, the market in Asia in general, and in China in particular, is expanding significantly and has become the driving force behind the current industry recovery.

c. The partial recovery in manufacturing activity, mainly in India, which has contributed to increased sales of our products, continued into Q3 2009. Initial signs indicate that this recovery trend may gather additional momentum in Q4 2009. However, it is still too early to predict whether it will gain enough momentum to carry through into 2010.

d. The manufacturing activity in the emerging manufacturing centres in the southern African region, as well as those in Russia, have, as previously noted, been more significantly impacted than anticipated and continue to lag behind the Indian manufacturing centres in their recovery.

e. Diamond prices, after having fluctuated significantly for a number of quarters, have stabilised to a degree (polished diamond prices, as of August, were down 16% year over year). We believe that stable prices of rough and polished diamonds are key to a return to more robust activity, as they allow for a higher degree of business confidence.

We continue to focus our research and development initiatives on projects that are expected to contribute to revenues in the next twelve months.

The Galatea product, Galaxy 1000™: The commercial launch of the new Galaxy 1000™ product continued in Q3 2009 exclusively by way of service centres, as planned. A major aim is to provide customers with insight into the capabilities of the new technology for inclusion mapping in rough and polished diamonds. In Q3 2009 we introduced a new service for sorting rough diamonds prior to planning activities. In all, sales of services on a commercial basis increased in Q3 2009, but these new commercial services still account currently for less than 10% of the Group's revenues.

As the initial facilities in which the service centres in Israel and in India opened proved to be insufficient, new facilities are being completed. With their completion in Q4 2009, we believe the facilities' potential capacities, both in India and in Israel, will be sufficient going into 2010. The opening of a take-in window in Belgium will be realised in Q4 2009, with a full service centre to open in Q1 2010.

Sales of the Galaxy 1000™ product to leading customers has commenced on a very limited and focused basis, with initial deliveries indeed scheduled in Q4 2009 as targeted. We are working to further refine the system's resolution and improving the interface between Galaxy's output imagery with the Advisor software for rough stone planning, as well as working on adaptations for polished stones. Leading up to the initial customer on-site deliveries, we will have completed the necessary security software and hardware features.

Rough planning products: This line of products is our primary contributor to revenue, and our share in this market continues to remain dominant. We continue to see higher sales of automated planning solutions, in line with the industry recovery. R&D efforts will continue to focus on integrating these products with the Galaxy 1000™ product through better utilisation of the latter's added value to optimise the planning process.

Polished planning products: We have launched the Instructor product, as announced, for the ongoing quality control of polished diamonds during the manufacturing process. The capability of providing instruction on necessary corrective actions and/or possible asymmetric enhancements to non-optimal polished diamonds is an innovative feature we believe is unique to our product. This product targets a need which until now has not been well addressed, and we believe the market potential is 90% untapped. The Instructor has met with enthusiastic interest and sales have commenced for both the Instructor software product as well as for additional new hardware platforms on which it runs. In parallel, we have successfully completed the beta-testing of a new high-end product for cut grading of polished diamonds, called the Lab Edition HD (for high definition) demonstrating more accurate performance than any other existing products. It will be commercially released in Q4 2009.

Quazer: Ongoing R&D efforts continue to focus on implementing the Set-up Station that will better couple our planning products with the Quazer. We have been successful in the introduction of various additional business models to better accommodate our customers' needs for this quality technology amid tougher industry and credit market conditions. We are encouraged by the number of deals closed in Q3 2009, most of which are for Q4 2009 delivery. In addition, our ongoing efforts to identify commercial applications relating to natural and synthetic diamonds for industrial applications have led to another system being sold to a manufacturer of diamond-based tools in the United States.

Colour products: An updated version of the Colibri product has been released to support the measuring of smaller stones and enhance functionality for the measurement of a diamond's fluorescence. Much to our satisfaction, the highly-regarded Japanese diamond gemmological laboratory Zenhokyo has, after the completion of exhaustive testing on over 14,000 stones, published a report acclaiming the product's performance. The report can be viewed on their website http://www.gaaj-zenhokyo.co.jp/researchroom/kanbetu/2009/2009_07_02-01en.html.

Polishing discs: We are continuing to work towards the expected commercial launch of the discs in Q4 2009.

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

Sales and marketing: Sales and marketing efforts will continue to focus on the Galatea technology, as well as on retaining or expanding, where possible, our market share in all key product lines and markets.

IDEX Online: IDEX's traditional sources of advertising revenue has recovered somewhat, in line with more robust industry activity. The recession has significantly slowed the adoption of IDEX's unique online spot market for business-to-business (B2B) trading, but interest amongst manufacturers is growing in general for internet-based B2B solutions as a more optimal and significantly quicker way of selling polished goods, and IDEX is well positioned to benefit from this overall trend. As announced, IDEX has launched a business-to-consumer (B2C) derivative of this service in cooperation with leading US partners who have a significant presence in the consumer market. This B2C service has successfully completed a trial period and is now being expanded significantly in the number of offerings. IDEX is also on track with the expected launch of an additional application derivative of its core knowhow for the traditional diamond trade, which it hopes to launch in Q4 2009. Success of these new offerings remains crucial to IDEX's prospects for 2010.

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?

The Board of Directors declared, on August 11, 2008, an interim dividend of US cent 0.8 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.

	Amount before tax US$'000	Tax rate applicable to shareholders %
2008	2,086	15%* / 10% **

* *The tax rate for the interim cash dividend for H1 2008 was 15% for Israeli corporate and Israeli individual shareholders.*

***The tax rate for the dividends was 10% for Singaporean shareholders.*

(d) Date Payable

		Amount US$'000
2008	15.9.08	2,086

(e) Books Closure Date

		Amount US$'000
2008	29.8.08	2,086

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been recommended for this period.

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, 2009, to be false or misleading.

On behalf of the Directors

Daniel Benjamin Glinert

Eyal Mashiah

Uzi Levami