Sarin Technologies Ltd.
and its Subsidiaries

(Incorporated in Israel)

PART I INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), FULL YEAR RESULTS

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

Consolidated Statements of Comprehensive Income for the (US$'000):

	Group Quarter ended March 31, 2011	2010	Change %
Revenue	**12,251**	**13,586**	**(9.8)**
Cost of sales	4,347	4,190	3.7
Gross profit	**7,904**	**9,396**	**(15.9)**
Research and development expenses	1,282	1,080	18.7
Sales and marketing expenses	1,803	1,530	17.8
General and administrative expenses	773	800	(3.4)
Profit from operations	**4,046**	**5,986**	**(32.4)**
Net finance income (expense)	77	(25)	NM
Share of loss of equity accounted investee	--	(88)	NM
Profit before income tax	**4,123**	**5,873**	**(29.8)**
Income tax expense	(820)	(1,500)	(45.3)
Profit for the period	**3,303**	**4,373**	**(24.5)**
Other comprehensive income			
Foreign currency translation differences from foreign operations	12	31	(61.3)
Total comprehensive income for the period	**3,315**	**4,404**	(24.7)

Notes to consolidated statements of comprehensive income (US$'000)
Profit before income tax is stated after charging (crediting) the following:

	Group Quarter ended March 31, 2011	2010	Change %
Allowance for (write-back) of doubtful trade receivables	4	(14)	NM
Depreciation and amortization	835	888	(6.0)
Interest income (expense), net	22	(58)	NM
Exchange rate differences	55	33	66.7
Warranty provision	3	40	(92.5)

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 (US$'000):

	Group		Company	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Assets				
Property, plant and equipment	2,606	2,629	1,386	1,509
Intangible assets	9,340	9,687	--	22
Investment in equity accounted investee and subsidiaries	--	--	14,473	13,899
Deferred tax assets	803	845	580	638
Total non-current assets	12,749	13,161	16,439	16,068
Inventories	4,677	4,762	3,517	3,865
Trade receivables	2,429	3,140	1,078	2,087
Other receivables	1,170	961	825	616
Short-term investments	3,005	5,413	2,003	4,010
Cash and cash equivalents	28,822	22,857	25,046	20,143
Total current assets	40,103	37,133	32,469	30,721
Total assets	52,852	50,294	48,908	46,789
Equity				
Share capital*	--	--	--	--
Dormant shares, at cost	(410)	(53)	(410)	(53)
Share premium, reserves and retained earnings	42,478	38,938	41,695	38,550
Total equity	42,068	38,885	41,285	38,497
Liabilities				
Long-term liabilities	889	968	163	215
Employee benefits	189	186	172	169
Total non-current liabilities	1,078	1,154	335	384
Trade payables	2,416	2,576	1,839	1,369
Other payables	4,717	5,292	3,523	4,645
Current tax payable	2,328	2,145	1,737	1,703
Warranty provision	245	242	189	191
Total current liabilities	9,706	10,255	7,288	7,908
Total liabilities	10,784	11,409	7,623	8,292
Total equity and liabilities	52,852	50,294	48,908	46,789

*No par value

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):

	Group Quarter ended March 31, 2011	2010
Cash flows from operating activities		
Profit for the period	3,303	4,373
Adjustments for:		
Share-based payment expenses	59	96
Income tax expense	820	1,500
Depreciation of property, plant and equipment	300	267
Share of loss of equity accounted investee	--	88
Amortization of intangible assets	535	621
Net finance income	(77)	(52)
Changes in working capital		
Inventories	85	(163)
Trade receivables	711	(679)
Other receivables	(209)	(250)
Trade payables	65	452
Other short- and long-term liabilities	(688)	1,518
Employee benefits	3	(3)
Cash generated from operations	4,907	7,768
Income tax paid	(595)	(393)
Net cash from operating activities	4,312	7,375
Cash flows from investing activities		
Acquisition of property, plant and equipment, net	(277)	(397)
Acquisition of intellectual property	(225)	--
Short-term investments, net	2,408	4,100
Capitalization of R&D expenses	(188)	--
Interest received	118	42
Net cash from investing activities	1,836	3,745
Cash flows from financing activities		
Proceeds from exercise of share options	166	14
Purchase of Company's shares by the Company	(357)	--
Receipt of long-term grants	--	59
Interest paid	(47)	(23)
Net cash (used in) from financing activities	(238)	50
Net increase in cash and cash equivalents	5,910	11,170
Cash and cash equivalents at beginning of the period	22,857	12,151
Exchange rate differences*	55	33
Cash and cash equivalents at end of the period	28,822	23,354

* Reclassified

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, 2010	--	13,795	(28)	18,704	--	32,471
Total comprehensive income for the period ended March 31, 2010	--	--	31	4,373	--	4,404
Share-based payment expenses	--	96	--	--	--	96
Exercise of options	--	14	--	--	--	14
Balance at March 31, 2010	--	13,905	3	23,077	--	36,985
Balance at January 1, 2011	--	14,541	27	24,370	(53)	38,885
Total comprehensive income for the period ended March 31, 2011	--	--	12	3,303	--	3,315
Other comprehensive income for the year ended March 31, 2011	--	--	--	--	--	--
Share-based payment expenses	--	59	--	--	--	59
Exercise of options	--	166	--	--	--	166
Dormant shares, at cost (754,000 shares)	--	--	--	--	(357)	(357)
Balance at March 31, 2011	--	14,766	39	27,673	(410)	42,068

* 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, 2010	--	13,795	(28)	18,437	--	32,204
Total comprehensive income for the period ended March 31, 2010	--	--	31	4,572	--	4,603
Share-based payment expenses	--	96	--	--	--	96
Exercise of options	--	14	--	--	--	14
Balance at March 31, 2010	--	13,905	3	23,009	--	36,917
Balance at January 1, 2011	--	14,541	27	23,982	(53)	38,497
Total comprehensive income for the period ended March 31, 2011	--	--	12	2,908	--	2,920
Other comprehensive income for the period ended March 31, 2011	--	--	--	--	--	--
Share-based payment expenses	--	59	--	--	--	59
Exercise of options	--	166	--	--	--	166
Dormant shares, at cost (754,000 shares)	--	--	--	--	(357)	(357)
Balance at March 31, 2011	--	14,766	39	26,890	(410)	41,285

* 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.

	As at March 31,	
	2011	**2010**
	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	268,273,430	264,358,043
Dormant shares (out of the issued and fully paid share capital):		
Ordinary shares of no par value	880,000	--

For the three months ended March 31, 2011, the Company purchased 754,000 ordinary shares at a cost of US$ 357 thousand. In accordance with Israeli Companies Law, Company shares that have been acquired and are held by the Company are dormant shares (treasury shares in Singaporean terms) as long as they are held by the Company, and as such they do not bear any rights until they are transferred to a third party. The issued and fully paid shares include the dormant shares.

Details of changes in share options:

	Average exercise price in US$ cents per share	Options
At January 1, 2011	21.4	7,296,151
Granted	34.6	3,020,000
Exercised	16.2	(998,593)
At March 31, 2011	26.6	9,317,558

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, 2010 have been applied in the preparation for the financial statements for the period ended March 31, 2011.

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 March 31,	
	2011	2010
Basic earnings per share (US cents)	1.24	1.65
Diluted earnings per share (US cents)	1.22	1.63

Basic earnings per share for the quarter ended March 31, 2011 are calculated based on the weighted average number of 267,036,871 ordinary shares issued during the current period and 264,292,880 during the preceding period.

Diluted earnings per share for the quarter ended March 31, 2011 are calculated based on weighted average number of 269,669,128 ordinary shares and outstanding options and 268,060,604 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	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Net asset value per ordinary share (US cents)	15.73	14.55	15.43	14.40

Net asset value per share is calculated based on the number of ordinary shares in issue at March 31, 2011 and December 31, 2010 of 268,273,430 and 267,274,837, respectively, and less the number of dormant ordinary shares at March 31, 2011 and December 31, 2010 of 880,000 and 126,000, respectively.

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

Sarin Technologies is a worldwide leader in the development, manufacturing, marketing and sale of precision technology products for the planning, processing, evaluation and measurement of diamonds and gems. The Group's systems comprise various hardware technologies, including electro-optics, electronics, precision mechanics and lasers. At the heart of these systems is the computer software that implements three-dimensional modelling and volume / value optimisation using advanced mathematical algorithms, and overall system control (motion, image capture, laser functionality, etc.).

In Q1 2011, the Group's performance continued to improve significantly on a sequential basis with revenues of US$12.3 million and net profit of US$ 3.3 million, as compared to the results reported in Q4 2010 with revenues of US$ 9.3 million and a net profit of US$ 1.3 million. The improved performance stemmed from the optimistic business sentiment and improved overall market conditions which have been manifesting themselves in 2011 to-date, and due to expanding Galaxy™ related sales and recurring revenues, the latter nearing 15% in Q1 2011.

The revenues in Q1 2011 of US$ 12.3 million and net profit of US$ 3.3 million are less than the results reported in Q1 2010 with revenues of US$ 13.6 million and net profit of US$ 4.4 million. However, it is to be noted that Q1 2010 revenues benefitted from significant pent-up demand following 2009, the worst year for the diamond industry since World War II as a result of the global crisis, and also from the sale of the Group's second Galaxy™ 1000 machine to a leading diamond manufacturer in India, on a one-off basis (which has since stopped as a business model). Q1 2010 operating expenses were also materially restrained following the 2009 crisis, while as the Q1 2011 operating expenses are more in line with the level of expenses appropriate to execute the Group's business and future development plans in a normal economic environment.

Galaxy™-related revenues, including sales to customers and to service centres (in Russia and Namibia), as well as recurring revenues from service centres and customer usage fees, contributed approximately 20% of revenues in Q1 2011.

As at March 31, 2011, cash and cash equivalents and short-term investments increased to US$ 31.8 million from the US$ 28.3 million reported as of December 31, 2010, stemming from the Group's profitable Q1 2011 and after the Group's US$ 0.4 million buy-back of its shares in the open market.

Revenues

Revenue by geographic segments for Q1 2011, Q1 2010 and Q4 2010 (US$ '000)

Q1 2011 versus Q4 2010				
Region	**Q1 2011**	**Q4 2010**	**$ change**	**% change**
India	9,372	6,941	2,431	35.0
Africa	1,118	487	631	129.6
Europe	437	275	162	58.9
North America	212	128	84	65.6
Other	1,112	1,479	(367)	(24.8)
Total	12,251	9,310	2,941	31.6

Q1 2011 versus Q1 2010				
Region	Q1 2011	Q1 2010	$ change	% change
India	9,372	11,007	(1,635)	(14.9)
Africa	1,118	930	188	20.2
Europe	437	321	116	36.1
North America	212	250	(38)	(15.2)
Other	1,112	1,078	34	3.2
Total	12,251	13,586	(1,335)	(9.8)

Total revenues for Q1 2011 increased on a sequential basis by 32% to US$ 12.3 million, as compared to US$ 9.3 million for Q4 2010. The increase in revenue in Q1 2011 as compared to Q4 2010 was primarily due to the more optimistic business sentiment and improved overall market conditions which manifested themselves in Q1 2011, in most geographical segments. Q1 2011 also benefitted from increased Galaxy™ related sales, as noted above.

On a year-over-year basis, revenues for Q1 2011 decreased slightly by 10% to US$12.3 million as compared to revenues of US$ 13.6 million in Q1 2010. As noted, Q1 2010 revenues benefitted from significant pent-up demand following the 2009 crisis and from the last sale of a Galaxy™ 1000 machine to a leading diamond manufacturer in India, on a one-off basis. In Q1 2011, the Group delivered six Galaxy™ / Solaris™ systems to customers and third-party service centre operators.

Cost of sales and gross profit

Cost of sales for Q1 2011 increased on a sequential basis by 26% to US$ 4.3 million, as compared to US$ 3.4 million for Q4 2010 in line with the increased sales during the period. During Q1 2011 the Group recorded a gross profit margin of 65% as compared to 63% in Q4 2010, due primarily to the higher sales volume.

On a year-over-year basis, cost of sales for Q1 2011 increased by 4% to US$ 4.3 million as compared to US$4.2 million in Q1 2010. The increase in the cost of sales in Q1 2011 over Q1 2010 was primarily due to the composition of products sold and especially the sale of multiple Galaxy™ 1000 and Solaris™ 100 systems to customers in Q1 2011 in accordance with the long-term business model adopted by the Group (i.e. lower up-front cost with follow-on usage fees) versus the sale of one Galaxy™ 1000 system in Q1 2010, on a one-off basis. During Q1 2011, the Group recorded a gross profit margin of 65% as compared to 69% in Q1 2010, due to these factors.

Research and development expenses

Research and development for Q1 2011 decreased on a sequential basis by 17% to US$1.3 million as compared to US$ 1.5 million in Q4 2010. The decrease in research and development expenses in Q1 2011 as compared to Q4 2010 was primarily due to the capitalisation, in compliance with IFRS, of US$ 0.2 million in development expenses associated with the Light Performance Technology ("LPT") acquired in Q4 2010 and also due to reduced expenses relating to the outsourcing of certain research and development activities. We expect to continue to capitalise LPT related development expenses until the start of revenue contribution from the LPT product, which is expected late this year.

On a year-over-year basis, research and development expenses increased by 19% to US$ 1.3 million in Q1 2011 as compared to US$ 1.1 million in Q1 2010. The increase in research and development expenses is in line with the Group's strategic research and development plans under improved economic conditions, and is primarily related to the ongoing refinement and enhancement of the Galaxy™ and Solaris™ systems' functionality, along with other programs, as detailed in section 10.

Sales and marketing expenses

On a sequential basis, sales and marketing expenses for Q1 2011 of US$ 1.8 million were in line with Q4 2010 expenses of US$ 1.8 million, with only modestly increased compensation paid to our sales teams and agents notwithstanding the increase in sales by 32%. On a year-over year basis, sales and marketing expenses increased by 18% to US$ 1.8 million as compared to US$ 1.5 million in Q1 2010. This increase in sales and marketing expenses was primarily due to expanded expenses is in line with the Group's strategic goals under improved economic conditions, also associated with activities related to our new LPT.

General and administrative expenses

General and administrative expenses for Q1 2011 decreased on a sequential basis to US$ 0.77 million as compared to US$ 0.95 million for Q4 2010 primarily due to the absence of legal and due diligence expenses associated with the acquisition of LPT, completed in December 2010. On a year-over-year basis, general and administrative expenses for Q1 2011 of US$ 0.8 million were in line with Q1 2010.

Profit from operations

Profit from operations for Q1 2011 increased on a sequential basis by 156% to US$ 4.0 million as compared to US$ 1.6 million in Q4 2010. The increase in profit from operations was primarily due to the increased sales in Q1 2011 as compared to Q4 2010 and reduced operating expenses, on a sequential basis, as discussed above.

On a year-over-year basis, profit from operations for Q1 2011 decreased by 32% to US$ 4.0 million as compared to US$ 6.0 million in Q1 2010. The decrease in profit from operations was primarily due to greater revenues in Q1 2010 as compared to Q1 2011 and due to the restrained operating expenses in Q1 2010 as compared to Q1 2011, as noted above.

Net finance income (expense)

For Q1 2011 the Group recorded net finance income of US$ 0.08 as compared to US$ 0.15 million in Q4 2010. On a sequential basis, the decrease in net finance income was mainly associated with revaluation of long-term liabilities. For Q1 2011 the Group recorded net finance income of US$ 0.08 as compared to net finance expense of US$ 0.03 million in Q1 2010. The increase in net finance income was mainly associated increased interest income associated with a higher level of invested funds as compared to the corresponding period last year, and with a lesser revaluation of the long-term liabilities.

Share of loss of equity accounted investee

For Q1 2011, the Group's share of loss of equity accounted investee (IDEX) was nil as compared to US $0.3 million in Q4 2010 and US$ 0.1 in Q1 2010, as in Q4 2010, following the continued uncertainties related to the execution of IDEX's business plan, the Group wrote-off its remaining investment in IDEX, and as a result has ceased to record its share of losses in IDEX.

Income tax expense

The statutory corporate tax rate in Israel in 2011 is 24% (25% in 2010). This rate is currently scheduled to decrease to 23% in 2012 and to gradually decline thereafter, until it reaches 18% in 2016. The Group's effective tax rate is a blend of the statutory tax rate in Israel, and substantial tax benefits accorded to our export oriented revenue mix (marginally taxed at between 10%-15%) in accordance to newly enacted tax directives commencing 2011, offset somewhat by the higher statutory tax rate in India.

For Q1 2011, the Group recorded an income tax expense of US$ 0.8 million as compared to US$ 0.14 million for Q4 2010. On a sequential basis, the increase in the income tax expense was due primarily to the Group's higher operating profit in Q1 2011 as compared to Q4 2010. On a year-over-year basis, the Group recorded an income tax expense of US$ 0.8 million in Q1 2011 as compared to US$ 1.5 million in Q1 2010. The decrease in the income tax expense was due primarily to reduced profitability in Q1 2011 as compared to Q1 2010 and more beneficial tax rates in 2011, as noted.

Profit for the period

The Group reported net profit of US$ 3.3 million in Q1 2011 as compared to US$ 1.3 million in Q4 2010, an increase of 155%, due to the issues discussed above.

The Group reported net profit of US$ 3.3 million in Q1 2011, a decrease of 25%, as compared to US$ 4.4 million in Q1 2010. The decrease in net profit was primarily due to greater revenues in Q1 2010 as compared to Q1 2011 and restrained operating expenses in Q1 2010 as compared to Q1 2011, 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. The global retail diamond jewellery business appears to be headed for one of its better, and maybe one of its best, years, with growth in the United States, still the largest single market, expected to be better than 3-4% (in line with consumer spending expansion, in general), and, more importantly, the markets in China and India continuing to expand at a rate in excess of 20%, on the heels of 25% and 31% growth, respectively, in 2010.

b. The high prices of rough diamonds continues to be somewhat of a negative factor, as the parallel increase in polished diamond prices still lags, though polished diamond prices have increased substantially from the beginning of the year. This trend is likely to continue, as also noted by Ms. Varda Shine, Managing Director of the Diamond Trading Company International, the rough diamond trading arm of DeBeers, when last speaking in Mumbai, India, for the coming years (dubbed the "Diamond Decade", by Ms. Shine), as demand in the Far East outstrips growth in supply. This may be somewhat, but not completely, mitigated by the eventual introduction of the substantial reserves of rough diamonds from Zimbabwe into the market, but this political issue has still not been resolved, as expanded upon below.

c. Issues pertaining to the sales of Zimbabwean rough diamonds have still not been resolved within the framework of the Kimberly Process (KP). Currently, though given unilateral approval for export by the KP Chair from the Democratic Republic of Congo, this approval, usually reached by consensus, has been rejected by leading and key consumer countries, such as the United States and Canada, thus further obfuscating the issue. In view of the significant potential of the Marange diamond fields, Zimbabwe may well emerge as one of the major sources of rough diamonds over the next few years. Indian diamond manufacturers are still hoping to become the major beneficiary of this new rough diamond source, though an initial agreement on the supply of US$ 100 million of rough diamonds on a monthly basis from Zimbabwe to India has been, as previously reported, frozen in light of the unresolved KP issues. China is also vying for a significant share of this potential supply. We believe that once a final resolution of the KP issues regarding the disposition of diamonds originated in Zimbabwe is reached, this may drive further expansion of the Indian and China manufacturing bases and subsequently help spawn additional sales of our product lines to these markets.

d. Demand for the Galaxy™ and Solaris™ products is growing in all major industry centres, including India, Belgium, Russia and Africa. Deliveries in the first quarter of 2011 of six Galaxy™ and Solaris™ systems to customers and third-party service centre operators were in line with our stated aim to more than double our installed base this year, as compared to the overall number of installed systems of just over 20 in service centres and at customer sites at yearend 2010. We have shipped Galaxies, as reported, to our new service centres in Russia and Namibia, key to driving demand from these markets by allowing customers to gain hands-on experience, and expect to ship soon to South Africa, to be followed by Botswana. We expect additional service centres, possibly in China and the United States, to open later in the year. We have also shipped, as announced by our launch customer in Botswana, Shrenuj, to our initial customer outside India. We expect deliveries to continue to accelerate throughout 2011. Revenues from this technology continue to grow quarter over quarter and were approximately 20% of the Group's sales for the quarter, with the recurring revenue component of our Galaxy™ technology business model nearing 15% of our overall revenues for Q1 2011.

e. As the demand for ever prettier diamonds is a fundamental trend affecting the industry, light performance parameters, such as brilliance, fire, scintillation / sparkle and symmetry, are becoming more and more accepted as simple-to-understand consumer-oriented criteria. Indeed, these parameters truly address how a diamond looks, and less its rarity, as do the traditional four C's. Thus, we believe the acquisition of the Light Performance Technology in late 2010 is a major development, which we expect will significantly impact our Group's product mix going forward in the longer term, and will already manifest itself, modestly, late in 2011. This technology will be offered to the industry's various players, beginning with manufacturers, wishing to verify the quality of their goods, through gem labs, so as to add these criteria to their certification process and ending with retailers, striving to brand unique cuts and product lines, who will all be increasingly driven to categorise their polished diamonds as per these definitions. It is expected that this product line will also add to the Group's recurring revenues, as various aspects of the technology will be offered as per-use services.

We continue to focus our research and development initiatives on the following projects and expect our research and development expenses to increase moderately over time.

The Galatea products: Ongoing development efforts will continue into 2011, as we continue to refine and enhance the systems' functionality from various aspects, including even better resolution, accelerating overall processing speed and increasing the size of stones to be handled. As the automation and complexity of clarity grading continues to be of concern, we continue to strive towards a launch of a system for polished stones, as well, most likely not before 2012.

Rough planning products: This line of products continues to be our primary contributor to revenue. Our share in this market remains dominant, as we benefit from the integration of the planning products with the Galaxy™ and Solaris™ products, which enhance the planning process with inclusion mapping data. We will introduce in 2011 further refinements to these systems' Advisor™ software for even better optimisation of the profit realised by our customers, as well as hardware refinements to improve the overall user experience.

Quazer™ II: The more sophisticated new green laser engine and the debut of the Strategist™ set-up station, optimally linking between Galaxy™, Advisor™ and the Quazer™ II, have underpinned increased orders. We expect sales to increase throughout 2011, as we continue to add features to the Strategist™, such as pie-cutting, etc.

Polished processing products: Sales for the Instructor™ and DiaMension™ HD continue, for the moment, to be the main driving force of this product line, especially given the additional impetus from the Gemological Institute of America's (GIA) adoption of the DiaMension™ HD as its standard for proportion measuring (Cut). We are already seeing other leading diamond grading labs, as well as industry-leading manufacturers adopt these products, as well. The enhancement of this product pair with additional functionality, primarily for non-round shapes, is the key goal for 2011. We have also introduced the DiaScribe™ SL lower-cost inscription system for polished diamonds, a currently unmatched price-performance package to diamond manufacturers, traders and retailers, which has met with positive market acceptance.

Light Performance Technology: The acquisition of this technology in late 2010 will entail development work throughout 2011, primarily focused on repackaging the product to optimise it for the retail market – cost, size, appearance, user interface, operating system, etc. The development schedule is very aggressive, and it is anticipated that initial sales with modest revenues will be realised this year.

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 leveraging the Galatea technology in order to expand our market share in all inter-related product lines and in all markets. This will manifest itself, for instance, in aggressive marketing of our new Strategist^{TM}, which we are already seeing promulgate expanded sales of the Quazer^{TM} II green laser sawing systems. In addition, we hope to launch our LPT-derived products and services to the retail market later in the year.

11. Dividend

(a) Current Financial Period Reported

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

No

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived.

Not applicable.

(d) Date Payable

Not applicable.

(e) Books Closure Date

Not applicable.

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

No dividend has been declared or recommended for the current financial 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 March 31, 2011, to be false or misleading.

On behalf of the Directors

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