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 Quarter ended March 31,		
	2009 US$'000	2008 US$'000	Change %
Revenue	1,063	10,615	(90.0)
Cost of sales	(985)	(3,553)	(72.3)
Gross profit	78	7,062	(98.9)
Research and development costs	(847)	(1,449)	(41.5)
Selling and marketing expenses	(1,074)	(1,824)	(41.1)
General and administrative expenses	(502)	(1,012)	(50.4)
Loss/profit from operations	(2,345)	2,777	NM
Net finance expenses	(9)	(55)	(83.6)
Loss/profit from ordinary activities before income tax	(2,354)	2,722	NM
Income tax expense	(89)	(710)	(87.5)
Loss/profit after tax	(2,443)	2,012	NM
Share of loss of equity accounted investee	(75)	-	NM
Loss/profit for the period	(2,518)	2,012	NM

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

	GROUP Quarter ended March 31,		
	2009 US$'000	2008 US$'000	Change %
Allowance for doubtful trade receivables	(111)	30	NM
Depreciation and amortization	310	375	(19.5)
Interest income, net	(17)	(211)	(91.9)
Foreign currency translation loss	26	266	(89.8)
Warranty provision	-	63	(100)

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.

Consolidated Balance Sheet (US$'000) as at:

	Group		Company	
	31.3.09 US$'000	31.12.08 US$'000	31.3.09 US$'000	31.12.08 US$'000
Non-current assets				
Investment in equity accounted investee and subsidiaries	1,215	1,279	20,480	20,011
Property, plant and equipment	1,989	2,128	1,219	1,356
Intangible assets	14,070	13,874	766	873
Deferred tax assets	59	59	-	-
Fund for employee severance benefits	9	9	-	-
	17,342	17,349	22,465	22,240
Current assets				
Inventories	5,193	4,685	4,384	4,048
Trade receivables	441	573	366	486
Other receivables	908	1,077	535	751
Current tax receivables	1,764	1,828	1,718	1,828
Short-term investments	2,552	2,100	2,552	2,100
Cash and cash equivalents	5,730	9,910	4,685	8,699
	16,588	20,173	14,240	17,912
Current liabilities				
Trade payables	903	1,114	462	858
Other payables	2,337	3,647	2,918	3,606
Current tax payable	238	289	124	124
Warranty provision	247	263	232	246
	3,725	5,313	3,736	4,834
Net current assets	12,863	14,860	10,504	13,078
Non-current liabilities				
Long terms liabilities	1,999	1,518	758	758
Employee benefits	246	240	170	180
	2,245	1,758	928	938
Net assets	27,960	30,451	32,041	34,380
Capital and reserves				
Share capital*	-	-		-
Reserves and retained earnings	27,960	30,451	32,041	34,380
Equity attributable to shareholders	27,960	30,451	32,041	34,380

* Less then one thousand US dollars.

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,	
	2009	2008
	US$'000	US$'000
Loss/profit for the period	(2,518)	2,012
Adjustments for:		
Share-based payments	53	75
Income tax expense	89	710
Amortization and depreciation	310	375
Interest expenses	12	26
Foreign currency translation loss	27	266
Interest income	(29)	(237)
Operating loss/profit before working capital changes	(2,056)	3,227
Changes in working capital:		
Inventories	(508)	137
Trade receivables	132	(1,116)
Other receivables	169	(465)
Trade payables	(211)	427
Other payables	(1,336)	264
Warranty provision	(16)	16
Long term investments and loans	-	(16)
Employee benefits, net	6	18
Cash generated from operations	(3,820)	2,492
Income taxes paid	(76)	(819)
Cash flows (used in)/generated from operating activities	(3,896)	1,673
Investing activities:		
Purchase of property, plant and equipment	(65)	(582)
Capitalization of R&D expenses	(302)	-
Investment in investee	64	-
Short term investments, net	(452)	5,516
Interest received	29	237
Cash flows (used in)/generated from investing activities	(726)	5,171
Financing activities:		
Proceeds from exercise of share options, net	-	5
Receipt of long term grants	481	-
Interest paid	(12)	(26)
Foreign currency translation loss	(27)	(266)
Cash flows used in financing activities	442	(287)
Net (decrease)/increase in cash and cash equivalents	(4,180)	6,557
Cash and cash equivalents at beginning of the period	9,910	15,188
Cash and cash equivalents at end of the period	5,730	21,745

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.

	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, 2008	-	11,465	17,683	29,148
Profit for the period ended March 31, 2008	-	-	2,012	2,012
Share-based payments	-	75	-	75
Exercise of options	-	5	-	5
Balance at March 31, 2008	-	11,545	19,695	31,240
Balance at January 1, 2009	-	13,275	17,176	30,451
Loss for the period ended March 31, 2009	-	-	(2,518)	(2,518)
Share-based payments	-	53	-	53
Capital fund from foreign currency translation	-	(26)	-	(26)
Balance at March 31, 2009	-	13,302	14,658	27,960

* Less than one thousand US dollars.

	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, 2008	-	11,465	19,015	30,480
Profit for the period ended March 31, 2008	-	-	2,349	2,349
Share-based payments	-	75	-	75
Exercise of options	-	5	-	5
Balance at March 31,2008	-	11,545	21,364	32,909
Balance at January 1, 2009	-	13,275	21,105	34,380
Loss for the period ended March 31, 2009	-	-	(2,366)	(2,366)
Share-based payments	-	53	-	53
Capital fund from foreign currency translation	-	(26)	-	(26)
Balance at March 31, 2009	-	13,302	18,739	32,041

* 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 at March 31	
	2009	2008
	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	253,733,000

Details of changes in share options

	Average exercise price in US cents per share	Options
As of January 1, 2009	18.6	9,827,500
Granted	7.2	3,125,138
Cancelled	22.9	(763,000)
As of March 31, 2009	14.9	12,189,638

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 period ended March 31, 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.**

	March 31 2009	March 31, 2008
Basic profit per share (US cents) (1)	(0.97)	0.79
Diluted profit per share (US cents) (2)	(0.97)	0.79

(1) Basic earnings per share are calculated based on the weighted average number of 260,747,225 ordinary shares issued during 2009 and 253,720,556 during the preceding period.
(2) Diluted earnings per share are calculated based on weighted average number of 260,747,225 ordinary shares issued during 2009 and 254,078,073 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 31,2009	December 31,2008	March 31,2009	December 31,2008
Net asset value per ordinary share (US cents)	10.72	11.68	12.29	13.19

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

8. **A review of the performance of the group, to the extent necessary for a reasonable understandingz 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

In Q1 2009 the Group recorded a 90% decline in revenues in comparison to Q1 2008, from US$ 10.6 million to US$ 1.1 million. The decline was due to the drop in demand for our products which began during Q4 2008, as a result of the global financial and economic crises and their impact on the diamond industry, as has been elaborated on in the Company's 2008 Annual Report. The Group also realized significantly lower gross profit and margin in Q1 2009, as the fixed cost portion of the cost of goods, along with the non-cash amortisation of the Quazer knowhow, which is taken every quarter (US$ 106,000), and a write off of approximately US$ 225,000 in inventory items, was spread over significantly reduced sales.

In response to the global economic environment and the resultant drop in revenues, the Group has taken significant steps to reduce operating expenses, as has been previously reported. In Q1 2009 overall operating expenses were US$ 2.4 million, as compared to US$ 4.3 million in Q1 2008, representing a 43% reduction over the comparable period last year. This reduction in operating expenses was realised in all expense categories, to varying degrees, both in the fixed and the variable aspects of our activities.

As a result of the above, the group recorded in Q1 2009 a loss of US$ 2.5 million, in comparison with a net profit of US$ 2.0 million in Q1 2008.

Additional cost cutting measures implemented during Q1 2009 were not fully realised in Q1 2009, so a further reduction in operating expenses is expected in Q2 2009. However, as we commence commercialization of the Galatea Galaxy 1000 product during Q2 2009, as detailed below in section 10, as per IFRS accounting principles, we will cease capitalisation of the R&D expenses related to this product, and we will also commence non-cash amortisation of the knowhow and previously capitalised R&D expenses recorded in our previous financial reports. While these added non-cash expenses may mask the impact of some of the cost reduction measures we have implemented from the P&L perspective, we expect to realise continued benefits from our cost containment measures from a cash flow perspective.

Revenues

Q1 2009 vs Q1 2008

Revenues by geographic segment (US$ '000)

Region	Q1 2009	Q1 2008	$ change	% change
India	720	7,962	(7,242)	(91.0)
Africa	38	744	(706)	(94.9)
Europe	47	717	(670)	(93.4)
North America	46	459	(413)	(90.0)
Other	212	733	(521)	(71.1)
Total	1,063	10,615	(9,552)	(90.0)

The global financial and economic crises and their impact on the diamond industry have reduced Sarin's revenues in all regions, as detailed in the above table. We recorded a deep decline in revenues, which altogether represents a 90% decline in Q1 2009 compared to Q1 2008, down from US$ 10.6 million to US$ 1.1 million.

Cost of sales and gross profit

Our cost of sales decreased by 72.3% to US$ 1.0 million in Q1 2009 as compared to US$ 3.55 million in Q1 2008. We did not see a material change in the contribution and profitability of the products sold in Q1 2009, neither from the perspective of our selling prices nor our costs for materials. The cost of sales was affected, to a large degree, by our fixed expenses being apportioned over significantly reduced sales volumes, even after taking into account the manpower reductions and pay cuts implemented in Q4 2008 and Q1 2009. In addition, the non-cash amortisation of the Quazer knowhow, which is taken every quarter (US$ 106,000), and a write off of approximately US$ 225,000 in inventory items contributed to an even lower gross profit. Without these two items the gross margin would have been approximately 38%, and including these two items the overall impact was a very low gross profit margin in Q1 2009 of 7.3% as compared to 66.5% in Q1 2008.

Research and development costs

Sarin continued to invest in research and development, but at a much lower rate. Research and development costs decreased by 41.5% to US$ 0.85 million in Q1 2009 as compared to US$ 1.45 million in Q1 2008. The decrease was due mainly to a reduction in manpower and project-related expenses. The Group continues to focus its research and development initiatives on projects that should contribute to revenues in this challenging period, as elaborated upon in section 10 below.

Selling and marketing expenses

Selling and marketing expenses decreased by 41.1% to US $ 1.1 million in Q1 2009 as compared to US$ 1.8 million in Q1 2008.. The decrease was primarily due to reduced compensation paid to our sales team and agents, as well as to reduced travel expenses. In addition, the Group significantly reduced its fixed expenses related to sales and marketing, by reducing non-essential staff, office expenses in Israel and elsewhere and by spending less on marketing activities.

General and administrative expenses

General and administrative expenses decreased by 50.4% to US$ 0.5 million in Q1 2009 as compared to US$ 1.0 million, during Q1 2008. The decrease was primarily due to across the board cost cutting, including managerial staff costs, directors' remuneration, fees to consultants and professional service providers (e.g. auditors and legal counsels) and expenditures on the protection of intellectual property. In addition, diligent collection from our customers generated a $111,000 benefit in the allowance for doubtful accounts in Q1 2009 as compared to a loss of US$ 30,000 in Q1 2008.

Finance income/expenses (net)

In Q1 2009 the Group recorded a net financial loss of approximately US$ 9,000 as compared to a net financial loss of US$ 55,000 in Q1 2008. The decrease in net financial loss was primarily due to reduced exchange-difference expenses in Q1 2009 as compared to Q1 2008, partially offset by reduced financial income due to lower interest rates on a lower level of invested funds as compared to the comparable period last year.

(Loss)/profit from ordinary activities before income tax

(Loss)/profit from ordinary activities before income tax decreased by US$ 5.1 million to a loss of US$ 2.4 million in Q1 2009, as compared to a profit before tax of US$ 2.7 million in Q1 2008. This decrease was primarily due to the significant decline in gross profit as a result of the steep drop in revenues, as detailed above, offset somewhat by the benefit of our cost containment measures that we implemented in Q4 2008 and Q1 2009.

Income tax expense

The statutory corporate tax rate in Israel decreased from 27% in 2008 to 26% in 2009 and should decrease further to 25% in 2010.

As a result of the above-mentioned issues and the loss from operating activity incurred in Q1 2009, other than in India, where activity remains profitable, the Group did not provide for income tax expenses in Q1 2009. Thus, tax expenses in Q1 2009 were US$ 89,000 compared with US$ 0.7 million in Q1 2008.

Share of loss of equity accounted investee

IDEX's loss in Q1 2009 was less than US$ 50,000, as management implemented aggressive cost-cutting. Our share of this loss was US$ 10,000. An additional US$ 65,000 is the normal quarterly amortisation of our acquisition cost associated with IDEX's know-how, to be amortised over six years.

Net profit

Overall, we recorded a net loss of US$ 2.5 million in Q1 2009 in comparison with a net profit of US$ 2.0 million in Q1 2008, representing a decrease of US$ 4.5 million.

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 reported, the global economic slowdown has adversely affected the diamond industry. However, it should be noted that demand for polished diamonds has begun to turn around, not only in emerging markets like India and China, but also in the crucial US market, which still accounts for some 40% of the overall polished diamond market.

b. One of the most crucial issues still facing the industry is the availability (or lack thereof) of bank financing and credit. Indeed, credit issues have created difficulties for both consumers and manufacturers/traders in the diamond industry itself. This has contributed to the slowdown in the industry in general, and has also led to a significant slowing of capital equipment expenditures. Nevertheless, we are seeing more manufacturing activity, primarily in India, than in the previous two quarters and a similar, if somewhat lagging, increased interest in our product lines.

c. The manufacturing activity in the emerging manufacturing centres in the southern African region has been significantly impacted by the global economic slowdown, much more so than previously expected. We thus expect our sales to this region to be appropriately impaired.

d. The Russian diamond industry is still all but stagnant, as discussed in previous announcements, as a result of repeated delays and changes in policies enacted by the Russian government, related to taxation as well as the percentage of the diamonds produced in Russia which needs to be manufactured domestically. Once resolved, these issues may result in an increase in the manufacturing activities in Russia and create new opportunities for our product sales.

e. The global economic slowdown has, as previously foreseen, produced a secondary positive side-effect for the industry – significant reductions in the prices of rough diamonds over the past few months by most producers as well as in the open market has indeed eased the cost to the manufacturers, and may have thus contributed to the renewed activity in the industry.

Current market indications lead us to believe that, barring any additional systemic shocks to the worldwide economy, industry activity has bottomed in Q1 FY2009 and we expect that commencing in Q2 it will begin to trend upwards for the rest of FY2009.

As announced previously, and as discussed above in section 8, we have countered the loss in revenues by a significant reduction in expenses. These cuts, implemented in Q4 FY2008 as well as in Q1 FY2009 are expected to substantially decrease our overall fixed operating expenses. The expected savings, as reported, have been due to staff reductions, primarily in non-core research and development and manufacturing personnel, pay cuts of 5%-15% for remaining personnel that were implemented in Q1 2009, and other reductions in general and administrative operating expenses, such as Board remuneration, office rent and professional services.

The Group continues to focus its Research and Development initiatives on projects that should contribute to revenues in the challenging 12-month period ahead.

The Galatea product, Galaxy 1000™ - intended for the automated high-speed evaluation of inclusions in both rough and polished diamonds: As previously anticipated, Sarin has launched the new Galaxy 1000™ product exclusively through service centres, which are providing inclusion mapping in rough diamonds on a commercial basis in India and Israel. The response from our customers has been positive and due to growing demand, we intend to ramp up this service capacity in India in Q2 FY2009, and to thereafter introduce the service to other diamond manufacturing centres, as these other centres return to more active diamond trading and/or manufacturing. The commercial launch of Galaxy 1000™ product sales to customers, on a limited basis, so as to best control the product's introduction to the market, is planned for later in FY2009. Accordingly (as per the IFRS), as of Q2 2009 we will cease capitalisation of the R&D expenses related to this product and we will also begin amortisation of the knowhow and previously capitalised R&D expenses in our financial reports.

Rough planning products: This line of products has historically been the Group's primary contributor to revenue, and our share in the market continues to remain dominant. We have begun to see, as anticipated in our previous report that as the Indian manufacturing activity increases, sales of automated planning solutions are likewise picking up. R&D efforts continue to focus on integrating these products with the Galaxy™ 1000 product, where applicable, and utilising the latter's added value to a greater extent to optimise the planning process. We anticipate that this will significantly widen the positive gap between our products and the products of our competitors, primarily in yield optimisation.

Polished planning products: The Company has continued with the development of its Instructor product, for the ongoing quality control of the polished diamond during the manufacturing process and for the instruction on necessary corrective actions on flawed polished diamonds. This product, targeting a need which has until now not been well addressed, has completed one cycle of alpha testing and is undergoing improvement, based on customers' feedback. We expect the second alpha testing cycle to commence in late Q2 FY2009.

Quazer: As previously reported the Company believes that the Quazer has emerged as the most advanced and most reliable green laser sawing and shaping system in the market. It has been demonstrated to offer customers the highest productivity and lowest breakage rates available. R&D efforts are focused on improving the system's breakage rate even further. In parallel, our efforts to explore commercial applications relating to synthetic CVD (Chemical Vapour Deposition) diamonds, used in industrial applications and not for diamond jewellery, continue. We expect this may open a new market for the Quazer, even though at present this market has also been negatively impacted by the current economic slowdown.

Polishing discs: We are continuing to test and refine the product so as to fully ascertain its cost-performance parameters and thus derive the appropriate business model and pricing for its commercial launch.

Colour products: An updated release of the Colibri product is scheduled for Q3 FY2009, supporting smaller stones, as currently is the focus of the market recovery, and enhanced functionality for the measurement of a diamond's fluorescence.

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

Sales and marketing: Sales and marketing efforts, in what is clearly a challenging environment, continue to focus on the Galatea technology rollout, as well as on retaining or expanding, where possible, our market share in all key markets.

IDEX Online: As previously announced, the global economic slowdown has significantly impeded the adoption of IDEX's unique online spot market trading platform and has also had impact on Idex's traditional sources of income, though somewhat less than previously expected. IDEX continues to explore new outlets for its services and expects to launch new products and services, expanding its presence both in the traditional, as well as online diamond trade, in Q2 and Q3 FY2009. Success of these new offerings remains crucial to IDEX's prospects for FY2009.

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 March31, 2009, to be false or misleading.

On behalf of the Directors

Daniel Benjamin Glinert

Eyal Mashiah

Uzi Levami