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, 2006		
	2006 US$'000	2005 US$'000	Change %
Revenue	8,548	5,688	50.3
Cost of sales	2,786	1,822	52.9
Gross profit	5,762	3,866	49.0
Research and development costs	813	551	47.5
Selling and marketing expenses	1,327	978	35.7
General and administrative expenses	814	339	140.1
Profit from operations	2,808	1,998	40.5
Net finance income	189	10	1790
Profit from ordinary activities before income tax	2,997	2,008	49.3
Income tax expense	513	499	2.8
Net profit for the period	2,484	1,509	64.6

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

	GROUP Quarter ended March 31,		
	2006 US$'000	2005 US$'000	Change %
Allowance for doubtful trade receivables	(24)	7	NM
Depreciation and amortization expense	209	86	143.0
Interest income, net	(183)	(14)	1207.1
Foreign currency translation (gain)/loss	(6)	4	NM
Provision for warranty	27	(40)	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)

	Group		Company	
	31.03.06	**31.12.05**	**31.03.06**	**31.12.05**
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Investment in subsidiaries	-	-	774	648
Property, plant and equipment	1,587	1,236	1,347	1,000
Intangible assets	628	681	596	627
Other receivables	157	273	157	273
Deferred tax assets	795	802	786	802
Fund for employee severance benefits	7	8	-	-
	3,174	3,000	3,660	3,350
Current Assets				
Inventories	3,165	3,137	2,743	2,846
Trade receivables	1,188	1,200	968	998
Other receivables	852	514	781	460
Short-term investments	5,093	1,099	5,093	1,099
Cash and cash equivalents	15,390	20,601	15,086	20,250
	25,688	26,551	24,671	25,653
Current liabilities				
Trade payables	1,547	1,045	1,480	955
Other payables	2,392	2,410	2,081	2,239
Current tax payable	301	1,576	301	1,495
Dividend declared	-	2,510	-	2,510
Warranty provision	276	249	262	235
	4,516	7,790	4,124	7,434
Net current assets	21,172	18,761	20,547	18,219
Non-current liabilities				
Liability for employee severance benefits	94	68	94	68
Net assets	24,252	21,693	24,113	21,501
Capital and reserves				
Share capital*	-	-	-	-
Share premium	10,539	10,525	10,539	10,525
Capital reserves	284	223	284	223
Retained earnings	13,429	10,945	13,290	10,753
Equity attributable to shareholders	24,252	21,693	24,113	21,501

*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 Quarter ended March 31,	
	2006	2005
	US$'000	US$'000
Net profit for the period	2,484	1,509
Adjustments for:		
Share-based payments expense	61	22
Income tax expense	513	499
Amortization and depreciation	209	64
Gain on sale of property, plant and equipment	-	(2)
Interest expense and bank charges	18	20
Interest income	(201)	(36)
Operating profit before working capital changes	3,084	2,076
Changes in working capital:		
Inventories	(28)	57
Trade receivables	12	25
Other receivables	(254)	(494)
Short-term investments	(4,994)	(219)
Trade payables	502	(97)
Other payables and warranty provision	42	(107)
Employee severance benefits, net	26	(10)
Cash generated from operations	(1,610)	1,231
Income taxes paid	(1,781)	(654)
Cash flows generated from (used in) operating activities	(3,391)	577
Investing activities:		
Purchase of property, plant and equipment	(507)	(263)
Proceeds from short term investments	1,000	-
Interest received	201	36
Cash flows generated from (used in) investing activities	694	(227)
Financing activities:		
Proceeds from issue of shares resulting from exercise of options	14	-
Interest and bank charges paid	(18)	(20)
Dividend paid	(2,510)	-
Cash flows used in financing activities	(2,514)	(20)
Net (decrease) increase in cash and cash equivalents	(5,211)	330
Cash and cash equivalents at beginning of the period	20,601	5,498
Cash and cash equivalents at end of the period	15,390	5,828

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Equity

Group

	Share Capital* US$' 000	Share Premium US$' 000	Capital Reserve US$' 000	Accumulated Profits US$' 000	Total US$' 000
Balance at January 1, 2005	-	497	86	6,603	7,186
Net profit for the period ended March 31, 2005			-	1,509	1,509
Share-based payments expense	-	-	22	-	22
Balance at March 31, 2005	-	497	108	8,112	8,717
Balance at January 1, 2006	-	10,525	223	10,945	21,693
Net profit for the period ended March 31, 2006	-	-	-	2,484	2,484
Share-based payments expense	-	-	61	-	61
Exercise of options	-	14	-	-	14
Balance at March 31, 2006	-	10,539	284	13,429	24,252

* Less than one thousand dollars.

Company

	Share Capital* US$' 000	Share Premium US$' 000	Capital Reserve US$' 000	Accumulated Profits US$' 000	Total US$' 000
Balance at January 1, 2005	-	497	86	6,511	7,094
Net profit for the period ended March 31, 2005	-	-	-	1,433	1,433
Share-based payments expense	-	-	22	-	22
Balance at March 31, 2005	-	497	108	7,944	8,549
Balance at January 1, 2006	-	10,525	223	10,753	21,501
Net profit for the period ended March 31, 2006	-	-	-	2,537	2,537
Share-based payments expense	-	-	61	-	61
Exercise of options	-	14	-	-	14
Balance at March 31, 2006	-	10,539	284	13,290	24,113

* Less than one thousand dollars.

Note: At a Board of Directors meeting held on 22 February 2006, it was resolved to recommend that at the next Annual General Meeting (AGM) a dividend of US$ 0.00865 per share (approximately US$ 2.183 million) be paid out of profits from the year ended December 31, 2005. This resolution was approved by the AGM on 24 April 2006 and the dividend is payable on 11 May 2006.

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	
	2006	2005
	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	251,695,500	191,132,000

Details of changes in share options

	Average Exercise in price in US$ per share	Options
At January 1, 2006	0.064	9,087,250
Granted	0.41	500,000
Cancelled	-	-
Exercised	0.021	798,750
At March 31, 2006	0.088	8,788,500

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December, 2005 have been applied in the preparation for the financial statements for three month period ended March 31, 2006

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.

	As at March 31	
	2006	**2005**
Basic profit per share (US$)	0.0099	0.0079
Diluted profit per share (US$)	0.0096	0.0074

Basic earnings per share are calculated based on the weighted average number of 251,492,028 ordinary shares issued during the current period and 191,132,000 during the preceding period.

Diluted earnings per share are calculated based on weighted average number of 258,245,197 ordinary shares issued and 203,377,961 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, 2006	**December 31, 2005**	**March 31, 2006**	**December 31, 2005**
Net asset value per ordinary share (US$)	0.0964	0.0865	0.0958	0.0857

Net asset value per share is calculated based on the number of 251,695,500 ordinary shares in issue at March 31, 2006 and 250,896,750 at December 31, 2005.

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

Q1 2006 vs Q1 2005

Revenue

Revenue by geographic segment (US$ '000)

Region	Q1 2006	Q1 2005	$ change	% change
India	6,103	4,436	1,667	37.6
Europe	640	143	497	347.6
North America	520	351	169	48.1
Other	1,285	758	527	69.5
Total	8,548	5,688	2,860	50.3

The Group recorded strong revenue growth of 50.3% to US$ 8.5 million in Q1 2006. By region, India registered a 37.6 % growth in revenues to US$ 6.1 million. Europe registered robust revenue growth of 347.6% to US$ 0.6 million as we increased our market share and commenced the selling of our new Quazer products. North America's revenue increased 48.1% to US$ 0.5 million from US$ 0.35 million in Q1 2005. Revenue from Other regions registered revenue growth of 69.5% to US$ 1.3 million. The growth of US$ 0.5 million in the Other regions was achieved from revenues from several countries, mainly South Africa, Thailand and Korea. The increase in our revenues came mainly from the increased adoption of automation by the manufacturers in India, as well as elsewhere, and the sales of our new green laser product - the Quazer. It should be noted that the growth outside of India this quarter exceeded that in India, as we continue our efforts to grow our revenues in the Other emerging areas.

Cost of sales and gross profit

With the substantial increase in revenues, cost of sales increased by 52.9 % to US$ 2.79 million in Q1 2006. Our gross profit margin in Q1 2006 was 67.4% compared to 68.0% in Q1 2005. The small decrease in gross margin was due primarily to the new Quazer product's lower gross margin, which can be mainly attributed to royalties payable in respect of such sales.

Research and development costs

Research and development costs increased 47.5% to US$ 0.8 million, mainly attributed to an increase in our research and development staff and salaries and sub-contractor costs due to increased R&D activities to support our active pipeline of new and upgraded products.

Selling and marketing costs

The increase in the selling and marketing costs of 35.7% or US$ 0.35 million to US$ 1.3 million comprised compensation to our employees and costs related to their travelling, higher sales performance payouts to our sales and marketing team and our distributors as well as rent for additional space allocated to the sales team and other general expenses. In addition, we experienced increased expenses in India and South Africa, as we continued to invest so as to expand our business in these two key territories.

General and administrative expenses

General and administrative expenses increased by 140.1% or US$ 0.48 million to US$ 0.8 million during the period. The increase is due to several issues. In Q2 2005 Sarin became a publicly quoted company and now bears the additional expenses related to this, mainly professional services from accountants, lawyers and directors, in addition to other expenses and insurance related to being a public company. In addition, the Company has initiated more activity pertaining to the defence of its intellectual property and patents and the expenses related to this have increased. And finally, higher compensation expenses, mainly related to the increase in the Company activities also contributed to the growth of the General and Administrative expenses.

Other expenses

Not applicable

Finance income (net)

Finance income increased from about US$ 10,000 in Q1 2005 to about US$ 0.2 million in Q1 2006. The increase in the financial income resulted from the higher cash levels maintained by the Company, mainly following the IPO, along with higher interest rates on the Company's US$ deposits. To facilitate this, the Company has invested (as noted in the balance sheet and consolidated cash flow statement) in short term investments- high grade interest bearing commercial papers.

Profit from ordinary activities before taxation

As a result of higher revenue and effective cost management, we recorded profit before tax of US$3.0 million as compared to US$2.0 million in the same period of 2005, representing an increase of 49.3% or US$1.0 million. Our profit before tax margin achieved 35.1% from revenues in Q1 2006 compared to 35.3% in Q1 2005

Income tax expenses

We recorded income tax expense of approximately US$0.5 million in Q1 2006 (same as Q1 2005). The effective income tax rate for Q1 2006 decreased to 17.1% in comparison to 24.9% in Q1 2005. This decrease is due to the approval granted by the Government of Israel in January 2005 for a new Approved Enterprise program. As a result of this new approval, the total effective tax rate is lower in the first two years following the approval, as revenues increase in comparison to the approved base year (which is 2004). As revenues in Q1 2006 are higher than those in Q1 2005, the effective tax rate has declined.

Net profit

We recorded a net profit increase of 64.6% to US$2.48 million during Q1 2006 in comparison to US$ 1.51 million in the previous year's corresponding period. Our net profit margin expanded from 26.5% to 29.1%, which is within our historical average.

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.

Current industry trends:

a. The overall global demand for diamonds continues to be stable. Among key drivers remain the emerging consumer markets in China, primarily, and also India, as the populations of these two countries become more affluent and more consumption minded.
b. Ongoing investments in automation in the manufacturing industry in India and elsewhere continue, as the overall drive to increase profitability persists. Emphasis remains on investing in the modernization of the manufacturing plants, in general, and in yield enhancing systems, in particular, such as rough stone planning systems, inclusion mapping aids, green lasers and automated polishing systems.
c. As a result of the South African and neighbouring governments' policies, to give increased incentives to diamond polishing activities in that region of the world, there has been and is a shift of diamond polishing plants to the southern African countries. We believe this will open added opportunities for the sale of our products to this emerging market.
d. The Gemological Institute of America (GIA), which announced its launching of a new diamond cut grading system for polished diamonds during the second half of 2005, has started grading stones and issuing certificates as per this new system. We expect that more players in the industry, manufacturers, dealers and wholesalers alike, who seek GIA certification, will continue to adopt this new cut grading system, and that this will accelerate the demand for the software upgrades we are offering for our existing installed base of systems (both for rough planning and proportion measurement systems).
e. New grading systems introduced lately, such as that by the GIA referenced above and similar announcements by the American Gem Society (AGS) and the Japanese Association of Gemological Laboratories (AGL), require the use of polished diamond proportion scanners (e.g., Sarin's DiaScan/DiaMension platform with the DiaVision software) to accurately grade the cut quality of diamonds. We expect these guidelines to contribute to our sales to the retail and gemological lab markets.

Company's plans for next 12 months:

a. The first quarter of 2006 has seen the successful introduction of a new version of our rough planning Advisor II software package, which supports the accurate manual indication of inclusions (types and locations) and the optimization of the derivable diamonds based on "best value" computations. We expect this new software to continue to promote sales both directly, as a software upgrade, and indirectly, as it enhances the value of our machines.
b. We are continuing our testing so as to derive the best possible disc composition aimed at optimizing both the demonstrated throughput improvement and the useful life span of the discs. We expect commercial sales to commence as soon as this process is completed. In addition, initial steps pertaining to the building of the full scale disc production facility continue.
c. Sarin plans to introduce towards the end of this upcoming quarter two new products for the assessment and prediction of colour in polished and rough diamonds. The product for polished diamonds will be able to handle fancy shaped diamonds, in addition to the round brilliant white diamonds handled by the current DC-3000 product. We expect a significant demand for this new generation of products addressing colour-related issues.

d. We intend to further enhance our Quazer green-laser diamond sawing and cutting system, with the introduction of improved hardware and additional software control features. These improvements and enhancements will both improve the system's performance overall and also the connectivity between the planning stage and the shaping stage while retaining more of the rough material for reuse. We see these additional features as further differentiating between our products and competing products, increasing our green laser's appeal and value to our customers.
e. The research and development of the inclusion mapping system continues. We expect commercialization of this product and significant long-term revenue and profit growth potential commencing in 2007.
f. The Company continues to seek potential targets for acquisition. For Sarin, the ideal company to be acquired would be one with proven products with established sales, which would complement our product offerings to our existing customers in our industry, allowing us full leverage of our established brand name and market presence. We continue to seek such a company.

11. Dividend

(a) Current Financial Period Reported On

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/recommended for the current financial period reported.

Note: At a Board of Directors meeting held on 22 February 2006, it was resolved to recommend that at the next Annual General Meeting (AGM) a dividend of US$ 0.00865 per share (approximately US$ 2.183 million) be paid out of profits from the year ended December 31, 2005. This resolution was approved by the AGM on 24 April 2006 and the dividend is payable on 11 May 2006.