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,		
	2007 US$'000	2006 US$'000	Change %
Revenue	9,296	8,548	8.8
Cost of sales	(3,134)	(2,786)	12.5
Gross profit	6,162	5,762	6.9
Research and development costs	(952)	(813)	17.1
Selling and marketing expenses	(1,367)	(1,327)	3.0
General and administrative expenses	(782)	(814)	(3.9)
Profit from operations	3,061	2,808	9.0
Net finance income	234	189	23.8
Profit from ordinary activities before income tax	3,295	2,997	9.9
Income tax expense	(1,010)	(513)	96.9
Profit for the period	2,285	2,484	(8.0)

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

	GROUP Quarter ended March 31,		
	2007 US$'000	2006 US$'000	Change %
Allowance for doubtful trade receivables	(13)	(24)	(45.8)
Depreciation and amortization expense	352	209	68.4
Interest income, net	(278)	(183)	51.9
Foreign currency translation (gain)/loss	44	(6)	NM
Warranty provision	16	27	(40.7)

NM - Not Meaningful.

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

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

	Group		Company	
	31.3.07 US$'000	31.12.06 US$'000	31.3.07 US$'000	31.12.06 US$'000
Non-current assets				
Investment in subsidiaries	-	-	1,488	1,573
Property, plant and equipment	1,582	1,570	1,298	1,291
Intangible assets	1,626	534	1,605	510
Other receivables	-	113	-	113
Deferred tax assets	1,200	1,194	1,173	1,174
Fund for employee severance benefits	9	8	-	-
	4,417	3,419	5,564	4,661
Current Assets				
Inventories	4,574	3,309	4,026	2,813
Trade receivables	1,178	1,138	962	993
Other receivables	1,290	1,589	1,204	1,518
Short-term investments	10,810	11,268	10,810	11,268
Cash and cash equivalents	14,228	12,118	13,796	11,621
	32,080	29,422	30,798	28,213
Current liabilities				
Trade payables	2,998	2,330	2,884	2,224
Other payables	3,680	3,148	3,186	2,923
Current tax payable	142	83	-	-
Warranty provision	263	299	247	284
	7,083	5,860	6,317	5,431
Net current assets	24,997	23,562	24,481	22,782
Non-current liabilities				
Liability for employee severance benefits	115	74	95	74
Net assets	29,299	26,907	29,950	27,369
Capital and reserves				
Share capital*	-	-	-	-
Reserves	29,299	26,907	29,950	27,369
	29,299	26,907	29,950	27,369

* 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) for the

	GROUP	
	Quarter ended March 31,	
	2007	2006
	US$'000	US$'000
Profit for the period	2,285	2,484
Adjustments for:		
Share-based payment expenses	82	61
Income tax expense	1,010	513
Amortization and depreciation	352	209
Interest expenses	19	18
Interest income	(297)	(201)
Operating profit before working capital changes	3,451	3,084
Changes in working capital:		
Inventories	(1,265)	(28)
Trade receivables	(40)	12
Other receivables	152	(254)
Short-term investments	458	(4,994)
Trade payables	668	502
Other payables	(368)	15
Warranty provision	(36)	27
Employee severance benefits, net	40	26
Cash generated from (used in) operations	3,060	(1,610)
Income taxes paid	(957)	(1,781)
Cash flows generated from (used in) operating activities	2,103	(3,391)
Investing activities:		
Purchase of property, plant and equipment	(296)	(507)
Short term investments, net	-	1000
Interest received	297	201
Cash flows generated from investing activities	1	694
Financing activities:		
Proceeds from exercise of share options, net	25	14
Interest paid	(19)	(18)
Dividend paid	-	(2,510)
Cash flows used in financing activities	6	(2,514)
Net increase (decrease) in cash and cash equivalents	2,110	(5,211)
Cash and cash equivalents at beginning of the period	12,118	20,601
Cash and cash equivalents at end of the period	14,228	15,390
Non cash activities:		
Acquisition of intellectual property subsequent to balance sheet date	900	-

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	Capital Reserve	Retained Earnings	Total
	US$' 000	US$' 000	US$' 000	US$' 000	US$' 000
Statement of Changes in Equity - Group					
Balance at January 1, 2006	-	10,525	223	10,945	21,693
Profit for the period ended March 31, 2006	-	-	-	2,484	2,484
Share-based payment expenses	-	-	61	-	61
Exercise of options	-	14	-	-	14
Balance at March 31, 2006	-	10,539	284	13,429	24,252
Balance at January 1, 2007	-	10,575	453	15,879	26,907
Profit for the period ended March 31, 2007	-	-	-	2,285	2,285
Share-based payment expenses	-	-	82	-	82
Exercise of options	-	25	-	-	25
Balance at March 31, 2007	-	10,600	535	18,164	29,299

* Less than one thousand US dollars.

After balance sheet date a final dividend for 2006 of $ 2,028,000 was declared on April 17, 2007 by the AGM and paid on May 9, 2007.

Statement of Changes in Equity - Company	Share Capital* US$' 000	Share premium US$' 000	Capital Reserve US$' 000	Retained Earnings US$' 000	Total US$' 000
Balance at January 1, 2006	-	10,525	223	10,753	21,501
Profit for the period ended March 31, 2006	-	-	-	2,537	2,537
Share-based payment expenses	-	-	61	-	61
Exercise of options	-	14	-	-	14
Balance at March 31, 2006		10,539	284	13,290	24,113
Balance at January 1, 2007	-	10,575	453	16,341	27,369
Profit for the period ended March 31, 2007	-	-	-	2,474	2,474
Share-based payment expenses	-	-	82	-	82
Exercise of options	-	25	-	-	25
Balance at March 31,2007	-	10,600	535	18,815	29,950

* 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	
	2007	2006
	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	252,875,500	251,695,500

Details of changes in share options

	Average Exercise price in US$ per share	Options
As of January 1, 2007	0.135	8,993,000
Granted	0.28	80,000
Cancelled	-	-
Exercised	0.033	(450,000)
As of March 31, 2007	0.138	8,623,000

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, 2006 have been applied in the preparation for the financial statements for the period ended March 31, 2007.

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.

	2007	2006
Basic profit per share (US$) (1)	0.0090	0.0099
Diluted profit per share (US$) (2)	0.0089	0.0096

(1) Basic earnings per share are calculated based on the weighted average number of 252,604,611 ordinary shares issued during the current period and 251,492,028 during the preceding period.
(2) Diluted earnings per share are calculated based on weighted average number of 256,998,247 ordinary shares issued during the current period and 258,245,197 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 31,2007	December 31,2006	March 31,2007	December 31,2006
Net asset value per ordinary share (US$)	0.1159	0.1066	0.1184	0.1084

Net asset value per share is calculated based on the number of 252,875,500 ordinary shares in issue at March 31, 2007 and 252,425,500 ordinary shares at December 31, 2006.

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 2007 vs Q1 2006

Revenue

Sarin Technologies is a worldwide leader in the development and manufacturing of advanced planning, evaluation and measurement systems for diamond grading and production. During Q1 FY2007, the continued recovery of our key market in India and the development of new emerging markets supported revenue growth of 8.8% to US$ 9.3 million.

Revenue by geographic segment (US$ '000)

Region	Q1 2007	Q1 2006	$ change	% change
India	7,002	6,103	899	14.7%
Europe	298	640	-342	-53.4%
North America	316	520	-204	-39.2%
Other	1,680	1,285	395	30.7%
Total	9,296	8,548	748	8.8%

By region, the improved manufacturing trend in India continued to spur healthy demand for our products, and this region registered a 14.7% growth in revenues to US$ 7.0 million from US$ 6.1 million in Q1 2006, and from US$ 6.4 million in Q4 2006.

In Q1 FY2006, both Europe and North America benefited from early Quazer sales, leading to a higher revenue base to compare current quarter results. Due to ongoing product refinements (as previously reported), comparative Quazer sales were lower in Q1 FY2007. The improved product will be launched in Q2 FY2007. Consequently, Europe registered a revenue decrease of 53.4% to US$ 0.3 million with slower activity mainly in Belgium. North America's revenues decreased 39.2% to US$ 0.3 million from US$ 0.5 million in Q1 2006.

Business development efforts in Other regions resulted in broad-based revenue growth of 30.7% to US$ 1.7 million

Cost of sales and gross profit

With the increase in revenues, cost of sales increased by 12.5% to US$ 3.1 million in Q1 2007. Our gross profit margin in Q1 2007 was 66.3% compared to 67.4% in Q1 2006. The small decrease in the gross profit margin was due to the mix of products delivered during Q1 2007 in comparison to Q1 2006. The current gross margin is in line with our traditional gross profit margins.

Research and development costs

Research and development costs increased 17.1% to US$ 0.95 million in Q1 2007 in comparison to Q1 2006, mainly attributable 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 selling and marketing costs increased by 3.0% or US$ 40,000 to US$ 1.37 million in Q1 2007 from US$ 1.33 million in Q1 2006. The company has maintained approximately the same level of selling and marketing expenses, including the continued investments in new markets, in line with our strategy to enhance our presence in key emerging regions such as South Africa and China, so as to expand our business in these two key territories.

General and administrative expenses

General and administrative expenses decreased by 3.9% or US$ 32,000 to US$ 0.78 million during the period. Lower professional services expenses including legal expenses related to the defence of our intellectual property and patents, were partially offset by higher investment in the disposable discs activity and compensation expenses. In percentage from revenues, our general and administrative expenses were 8.4% in Q1 2007 in comparison to 9.5% in Q1 2006.

Other expenses

Not applicable

Finance income (net)

Net finance income increased from about US$ 189,000 in Q1 2006 to about US$ 234,000 in Q1 2007. The increase in financial income resulted from the higher cash levels maintained by the Company, along with higher interest rates on the Company's US$ financial investments. This resulted from the Company's investments in high grade interest bearing commercial papers (included in short–term investments in the balance sheet.).

Profit from ordinary activities before taxation

As a result of higher revenue and effective cost management, we recorded profit before tax of US$3.3 million as compared to US$3.0 million in the same period of 2006, representing an increase of 9.9% or US$0.3 million. Our profit before tax margin was 35.4% of revenues in Q1 2007 compared to 35.1% in Q1 2006.

Income tax expense

During the previous two years, the company benefited from tax incentives from the last Approved Enterprise program granted by the Government of Israel in January 2005. In Q1 2007 those incentives continued but were much less pronounced.

In addition, in Q1 2007 the Group had approximately US$ 60,000 tax in India as a result of a dividend paid by Sarin India to the parent company in Israel. This is the first time since 2004 (when Sarin India was established) that a dividend has been paid. We do not expect additional dividends from Sarin India to be paid during 2007. Thus this additional tax impact should not recur in the following quarters.

As a result of improved business activity and the abovementioned issues, the Group recorded income tax expense of approximately US$1.0 million in Q1 2007 compared to US$ 0.5 million in Q1 2006. The effective income tax rate for Q1 2007 increased to 30.7 % in comparison to 17.1% in Q1 2006.

The company plans to apply for a new program and tax incentives to the Government of Israel. Under the current law - new tax incentives will be available only from 2008, if the company's application will be approved. As reported in the annual financial statements there is a gradual reduction of the official corporate tax rate in Israel. This together with the successful outcome of the application for a new program is expected to lower the Group's future effective income tax rate.

Net profit

As a result of the higher income tax expense, we recorded a decrease in net profit of 8.0% to US$2.3 million during Q1 2007 in comparison to US$ 2.5 million in Q1 2006. Our net profit margin in Q1 2007 was 24.6 % in comparison to 29.1% in Q1 2006.

Balance Sheet

The stronger business activity, combined with the launch of several enhanced products during Q1 FY2007 resulted in higher inventory levels for the period

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. As previously reported, the diamond manufacturing market recovery momentum, as had been expected by many industry leaders and followers, has carried through into the beginning of 2007. This recovery has created a better market for our products, particularly in India.
b. US and global diamond jewellery sales are expected to continue to grow during 2007, albeit at a somewhat slower rate than in 2006. FY2007 is expected to be characterised by the continuing reduction of current polished-diamond stockpiles, driving the market into increased trading and manufacturing activity.
c. As noted in previous announcements, 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 an ongoing shift of diamond polishing plants to the southern African countries. This has created more opportunities for the sale of our products to this emerging market. Management believes this trend will continue into FY2007.
d. And again, as previously noted, consumer confidence in diamonds' authenticity and quality is increasingly becoming an issue for jewellery retailers worldwide. This is especially true in the US, which, it is estimated, accounts for nearly 50% of all jewellery sales.

Company's plans for next period:

a. We expect sales and deliveries of our green-laser Quazer™ system to increase as the year progresses following significant improvements in reliability, surface quality, the minimization of material loss, the processing of problematic high-tension stones and improved cutting speed. Technical improvements in the green laser source implemented by our US supplier are expected to further enhance our system's performance and will be incorporated in our systems to be delivered from May 2007. As previously reported, the Group has renegotiated the agreement, by which the IP for this product was acquired, which management believes will increase the gross margin and the overall profitability realised from this product's sales.
b. Shipments of our improved rough planning products in Q1 FY2007 were met with positive market response. As previously reported, Sarin is continuing to develop further refinements of its rough diamond planning products (DiaExpert™ and Advisor™) to further increase the system's accuracy and the yield derived from the rough stone. These improvements include, among others, the recently released DiaExpert Eye™ and TruScan™ features, providing, respectively, the ability to better manually detect and incorporate inclusions into the planning process, and an increased-accuracy three-dimensional scanning of the diamond. We thus expect these developments to continue to promote sales, both directly, as upgrades to our current installed base, and indirectly, as they enhance the value of our products to our customers.
c. Initial commercial sales of our innovative disposable disc product have been concluded with our beta-site customers. We are now introducing the product to an additional group of key potential customers as the launch of broader marketing efforts for this new product commences. We expect to receive additional orders in the upcoming quarters. The Group continues to optimise the performance of the disposable disc to distinguish the quality and value of this new proprietary product. The current pilot production facility is expected to be able to supply the quantities expected to be sold in 2007.
d. As previously reported, Sarin's new product for the assessment and prediction of colour in rough diamonds (OrchiDia™) commenced commercial sales and deliveries in Q4 2006. Sarin's new product for the measurement of colour in polished diamonds (the Colibri™) is expected to commence commercial deliveries in early second half of 2007. We expect the demand for the solutions provided by our Sarin Color Technologies subsidiary to generate increased sales going forward into 2007.
e. The research and development (R&D) of the automatic inclusion mapping system is ongoing. Although there is a parallel development effort to manually detect and map

inclusions (as mentioned in article [b] of this section), the Company continues to believe that the technology currently being developed in this project has the potential to be a breakthrough in diamond planning and processing, once commercialised. The commercialisation effort, entailing further technical development and the solution of many practical issues, continues. However, as no significant milestones were achieved in Q1 2007, the overall schedule continues to be longer than previously anticipated.

f. The Company plans to continue its efforts to realise more sales from emerging market opportunities in the southern African countries and China. Sarin is in the process of establishing its subsidiary in the People's Republic of China to provide the necessary sales and support infrastructures needed to further these goals.

g. The Company has bolstered its sales presence in the United States by engaging the services of a new dedicated representative on the West Coast, who will be focused on the retail market in general, and consumer confidence in particular.

h. The Company continues to seek potential targets for acquisition. For Sarin, the ideal company to be acquired would be one with proven products and/or services with established sales, which would complement our product offerings to customers in our industry, allowing us to fully leverage our established brand name and market presence.

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.

After balance sheet date a final dividend for 2006 of $ 2,028,000 was declared on April 17, 2007 by the AGM and paid on May 9, 2007.

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 Company for the period ended 31 March 2007, to be false or misleading.

On behalf of the Directors

Daniel Glinert

Daniel Benjamin Glinert

Yehezkel Pinhas Blum