ISRAEL HIGH-TECH
& INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES JOSEPH MORGENSTERN, PUBLISHER
April 2004 Vol. XX Issue No.4 You are invited to visit us at our website: http://ishitech.co.il

"The Recession is Over!"

Towards the end of 1999, in advance of the Nasdaq Crash, in the pages of this newsletter we predicted that event. Not long afterwards in April 2000, prices did crash. The crash was one of major proportions as measured by indices. The Nasdaq currently trading at 2,000 was then at its all-time peak at 5,132.
Predicting the movements of stock markets is a hazardous activity and perhaps is best to be avoided. Yet, that is one of the roles of newsletters. We are expected to be insightful. Emboldened by our success in having predicted a major crash we are moving into a new prediction mode, which foresees a return to growth on the part of the Israeli high-tech sector.

In 2000 the signal was given on February 17 when we heard: "With foreign economies strengthening and labor markets already tight," Mr. Greenspan warned, "how the current wealth effect is finally contained will determine whether the extraordinary expansion that it has helped foster can slow to a sustainable pace, without destabilizing the economy in the process." To us it presages a period of monthly lowering of interest rates. Mr. Greenspan has recently maintained interest rates of just above one per cent, a policy aimed at stimulating the economy. The program seems to be having an impact.

Most recently, Mr. Greenspan announced that he does not rule out the possibility of raising interest rates at some future date. We are convinced he will not make that move unless he is sure that the US economy is overheating as a result of excessive economic activity. Yet many believe that the day of higher interest rates is not that far away.

Israel has experienced a fairly severe recession over the past three years. Unemployment has peaked at 11.5% and per capita income has fallen to levels of nearly a decade ago. A severe drop in global tourism and more specifically, because of Arab violence in this area, has hurt its tourist industry. The high-tech sector an important part of the economy, accounting for nearly 50% of the country's GNP, was badly affected by a drop in worldwide business.

In the middle of March the Bank of Israel announced

"The Recession is Over!"
The New Age of Drones
Israeli Banks Block Foreign Investors from Buying Shares on TASE
$1.15 billion Available for Investmentt
Hydroponics: Money in the Bank
World's Third Busiest Airport Implements NICE Surveillance System
Israel, Jordan Sign on Science Center on Border
Potential Google Competitor:
Quigo Technologies Raises $5.0m.
Professor Ruth Arnon: Israel's Leading Woman Scientist
Proneuron Biotechnologies to raise $3.2m
Intel Israel's Investments in Israel Total $2.8b.
Largest Exporter and Investor
Visonic, a Leading Security Firm to Hold IPO on LSE

Copyright 2003: Israel High-Tech & Investment Report Editorial Offices: P.O.Box 33633, Tel- Aviv 61336, Israel
Tel-: +972-3-5235279 Fax: +972-3-5227799 E-mail: htir_1@netvision.net.il

opened by a pilotless plane, a flight which signals the coming of age of Unmanned Aerial Vehicles (UAVs) in the global aviation scene. UAVs are being used to carry sensors, cameras, communications equipment and even more lethal payloads like missiles.

UAVs took central stage at the air show in Singapore, which opened with the low buzz of a robotic plane, the Israel Aircraft Industries Malat-EADS Eagle, making a slow overflight of the exhibition areas at Singapore's Changi Airport. Visitors were able to watch a real-time image of the area it flies over, projected on a large screen.

Another display featured a propellor-driven Eagle drone made by a European-Israeli tie-up.

Spectators on the ground were treated to a real-time image captured by the Eagle's camera as it swept over the area near Changi Village.

In all, 52 companies have brought UAV-related products to the airshow.

The U.S. Air Force is looking into developing UAVs that incorporate fighter-bomber capabilities.

Defense and industry officials learnt how a census of the UAV market showed there are about 470 different types worldwide. These are made in 39 countries by 188 companies and about 80 per cent are used by the military.

Reflecting a newfound optimism in prospects for the industry, a record 758 exhibitors from 33, countries are taking part in this year's Asian Aerospace exhibition, the region's largest.

The increasing role of Unmanned Air Vehicles (UAV) in a diverse range of applications has been underlined by industry, indications that the annual business could hit in excess of US$5 billion by the end of the decade.

As major new players in the market eye opportunities for acquisition and partnerships with established companies, the UAV market seems likely to live up to the annual double-digit growth forecasts which have been made by respective analysts.

The potential role of unmanned vehicles in combat, strategic long endurance and tactical scenarios is constantly being explored and expanded, with proven performance in civil and military operations underlining the significance of that potential.

The power plant manufacturers whose products are suitable for UAV applications will see new revenue stream opportunities as wellas possibilities to develop the new engines required for the broadening role of unmanned vehicles.

Public and private sector enthusiasm, backed by substantial long term commitment and investments, will ensure that the UAV market remains a major industry feature for the foreseeable future.

The latest in unmanned products and applications, including UAV / UCAV Systems, Sensors, Datalinks, Engines, Payloads, and Ground Control Stations will inevitably be an important highlight of Asian Aerospace 2004, which will showcase the major developments in this strategic sector to the highest level of procurement decision-makers in Asia-Pacific. Israel Aircraft Industries' (IAI) Malat Division unveiled a new Unmanned Aerial Vehicle (UAV) called "I-SEE" at the Asian Aerospace show.

The "I-See" vehicle is an enhanced mini UAV designed for short-range surveillance, reconnaissance and damage assessment roles, the ideal solution for "over the hill" missions.

"I-SEE" can carry electro optical TV and IR payloads as well as others supplied by the customer. It has an auto launch system and full data link capabilities.
Competition for a U.S. Defense Department contract to develop an unmanned ground vehicle has resulted