

## Part I

### Special Focus: UAE

1. Interview with Mr. Matar Ali Al Romaithi, Director of Offset Unit at Offset Program Bureau (OPB) of UAE
2. Tawazun Precision Industries (TPI)
3. Burkan Munitions Systems L.L.C.
4. Caracal, pioneering innovation
5. Epicos- Amazon

## Part II

### Epicos Newsroom

1. UAE's new offset policy proves popular with suppliers
2. Northrop Grumman-built U.S. Navy X-47B Unmanned Combat Aircraft Completes Historic First Flight First-of-its-Kind, Tailless Aircraft Moves Closer to Carrier Trials in 2013
3. Saab establishing Research and Development Centre in India
4. Russia's '10 car imports up 32% to 686,600
5. Medvedev signs police reform bill into law

## Interview with Mr. Matar Ali Al Romaithi, Director of Offset Unit at Offset Program Bureau (OPB) of UAE



"The response from defence contractors to the new guidelines has been very positive. Over 70 per cent of defence contractors with offset obligations have transmitted their commitments to the new policy, among them Boeing, Raytheon, EADS, Fincantieri, Nexter, MBDA, Lockheed Martin and Rheinmetall. In terms of refining the policy, the offset guidelines are not a policy but a dynamic tool which evolves", said Mr. Matar Ali Al Romaithi, Director of Offset Unit at Offset Program Bureau (OPB) of UAE

### 1. Could you please highlight the main historical milestones of the Offset Program Bureau (OPB)?

OPB, since its initiation in 1992 by HH Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi & Deputy Supreme Commander of the UAE Armed Forces has been following a strict program envisaging the sound development of UAE economy and industry. OPB's goals was to set and force the values for incoming programs and acquire defence capabilities. OPB up to now has successfully launched over 48 new UAE business ventures investing an amount of over AED 6 billion which, today, continue to generate wealth for the people of the UAE, including 4 companies listed in the UAE Stock Markets. Currently and for the coming decade OPB has announced its new Offset guidelines which will empower it to fulfill strategic development and partnerships with defence contractors.

OPB's Board of Directors and Management Team, supported by a highly qualified and competent organization brings together the required government support, know-how and experience to undertake key industrial development partnerships and investment programs. In addition, the UAE Armed Forces from the early start of the offset program have provided valuable support and cooperation to the OPB, a cooperation that is further strengthen today.



### 2. What is the main purpose of the Offset Program Bureau (OPB)?

The Offset Program Bureau (OPB) was established in 1992 to oversee the offset program in the UAE. It is mandated to set up joint ventures, as well as to invest in commercial, high technology, defense and industrial projects.

OPB purpose is to act as a conduit between international contractors and local private sector aiming to develop fruitful grounds for "commercially viable, profitable and sustainable joint ventures". We are looking to facilitate the industrial development and

apply commercial development practices in our cooperation with the international contractors.

3. In 2007, OPB created a fully-owned subsidiary; Tawazun Holding. Could you please describe the main goal of the aforementioned institute?

Tawazun Holding is a strategic investment holding company owned by OPB focused on defense and specialized manufacturing.



The company aims to develop ventures through industrial partnerships and strategic investments in focused sectors creating value and transferring knowledge and technological capability to the UAE.

Tawazun Holding's objectives are guided by the Abu Dhabi government's Policy Agenda, which focuses on economic diversification, technology transfer, building an industrial base and developing the skills of UAE Nationals.

Tawazun Holding's portfolio includes: the UAE's first gun manufacturing company Caracal International; the German gun maker Merkel; precision manufacturer Tawazun Precision Industries; Abu Dhabi Autonomous Systems Investments, a developer of unmanned, remotely controlled vehicles; Caracal Ammunition and Burkan Munitions

4. The UAE's OPB announced on June 2010 major changes in its offset policy. Which is the main objective of this new policy?

The new policy is focused towards 'partnering' with defence companies. The new guidelines objective is to enable defense contractors to customize their programs by selecting various contribution components made of input and output credit generating activities that would maximise the fulfillment of their offset obligations.

A hybrid input and output credit contribution model was introduced to enable defense contractors who are dealing with the UAE Armed Forces to capitalize on their existing strengths while emphasizing the need to partner with the local private sector in profitable and commercially viable ventures.

5. What are the main elements of the UAE's offset policy and what are the key tools to support it?

The new Offset policy is built around 8 levers which are defined by procurement process, threshold, minimum offset requirement, duration, milestones, offset activities considered for credits, multipliers and penalties.

The backbone of the policy moves on the same grounds as the previous however duration, milestones and offset activities have been introduced with a new concept or tools to support it.

An early start is always encouraged under the new policy where defence contractors are expected to develop an offset fulfillment plan while negotiating the procurement contract with the UAE Armed Forces. Secondly, we have introduced the concept of the “grace period” as a tool that will allow defence contractors to complete the setting up of the Joint Venture in terms of infrastructure, construction, setting up of machinery training etc. that is the input part of their program. This period could reach 3 years according to the complexity and the size of the project. This period allows input based activities to be generated in the grace period and realized as offset credits at the start of the 7 year program period.

Creating Opportunities 

Another tool, the new policy introduces is the clear distinction between “input contributions” and “output-generated results”. Input-contributions include “industry enablers”, “knowledge-empowerment” projects and equity contributions, carrying a maximum multiplier of 2.0. Examples of projects include (though not limiting) IP contributions, team start-ups, apprenticeships programs, cash contributions and investment or contribution of specialist equipment. However at least 70% of the obligation should be satisfied through “output-generated results” projects. These are calculated based on the net profit the company generates where export sales can boost the credit multiplier, and also hiring UAE nationals that is considered as a bonus scheme where Defense Contractor can receive additional output based offset credit. The output-generated results carry a higher multiplier (2.0 – 5.0), that is calculated through a complex formula based on profit generated and level of export sales.



Finally the introduction of a revised milestone fulfillment and penalty calculation model is the tool for OPB to reward the timely implementation but also to penalize non-fulfillment.

More specifically, we have introduced an annual milestone target for the 7 years of each program that is 5, 10,10,15,15, 20 and 25% respectively. We kept the penalty at 8.5% of the obligation but introduced the payment of 50% of the shortfall in each milestone and

the roll-over of the remaining 50% to a default account that will be carried to the next obligation or reduced depending at the overall performance of the program.

At a first glance our policy can be considered very harsh but there are specific elements that actually support contractors rather than punish them. First of all with the granting of the grace period we allow contractors to maximize credits generated during the grace period and realize credit on the first year, i.e. overachieving milestones for years 1-3. That means that have three years to develop the business and generate the revenues that will need to complete milestones from year 4 and onwards. Secondly, we allow them until the end of the program to cover the 50% of any unfulfilled milestone rolling over that deficit to the default account.

The purpose of the milestones is not to receive the penalties but to commit obligors to the plans submitted and to secure their active involvement for the duration of the program.

To that extent OPB has introduced a very unique way of encouraging Defense Contractors to improve their performance, by committing at the end of each offset program to release back to Defense Contractors all penalties paid at interim milestones, if they have succeeded to implement corrective actions to cover the shortfall. We believe that we are the only country in the world that has applied such a policy.

#### 6. Are there any specific areas in which OPB will direct its focus?

The focus areas for the OPB, are distinguished between 'Components' (e.g. advanced material parts, technical services, precision manufacturing and advanced electronics) and 'Systems' (e.g. strategic technical systems, infrastructure systems, transportation equipment systems and oil & gas systems). However the interest of OPB is not limited on these areas and if additional offerings are available then we are open to review them.

#### 7. What was the response OPB has received from Defence Contractors? Are there any adjustments you plan to make to the policy in the near future?



**The response from defence contractors to the new guidelines has been very positive. Over 70 per cent of defence contractors with offset obligations have transmitted their commitments to the new policy, among them Boeing, Raytheon, EADS, Fincantieri, Nexter, MBDA, Lockheed Martin and Rheinmetall.** In terms of refining the policy, the offset guidelines are not a policy but a dynamic tool which evolves. We are always looking at ways to enhance the program's contribution to the UAE and will make adjustments when we need to. However, for now there are no major changes planned .

8. Additionally, the bureau CEO HE Saif Al Hajeri announced the creation of the Offset Committee and the Defence Contractors Council. What are the main goals of these new institutions?

The Offset Committee, which consists of representatives from the OPB and the GHQ of the UAE Armed Forces, was established to act as a liaison between OPB and the UAE Armed Forces GHQ to study common issues and develop appropriate recommendations toward enhancing the working mechanism between both parties. The new committee is mandated to review, advise and evaluate plans for offset projects and performance. Additionally, it oversees procurement processes and advises on potential future contracts.

Defence Contractors Council, which consists of representatives from the OPB and defence contractors, was created to allow for more open dialogue among defence contractors and Offset. It will provide the opportunity to share views, build long-term relationships, highlight ways for improvements, and strengthen transparency. The council also seeks to directly measure the reaction of defence contractors and openly solicit their feedback. This way it will ensure that proper communication channels are in place and are actively engaged which will help the OPB to continuously review and upgrade its policies to serve its mandate. This in turn, will allow the Defence Contractors Council to fulfill their obligations seamlessly. Annual meetings with the next one on February will be held with aim to have them semiannually in the future.

9. Could you please make a comment about the benefits you expect to obtain from the new policy and the importance of offsets and industrial cooperation in supporting the 2030 Vision of Abu Dhabi?

UAE embraces a dynamic and ambitious strategic plan for consistent economic, industrial and social development. Central to the government's policy agenda is the creation of diversified and knowledge driven economy, industrial partnerships, transfer of technology, capacity building, and creation of jobs for UAE nationals. The new policy is demarcated by that concept.

The UAE Offset Program has become more flexible and easy to implement, allowing greater involvement of defence contractors in the planning and development of endeavours. The development of a flourishing private sector in the UAE is central to the long-term balance of the economy. The Offset Program directly supports this with the facilitation of private sector businesses in the UAE that are the result of cooperation between local investors and international defence contractors. This Offset Program enables the founding and developing of economic and industrial endeavours to take place systematically.

We are confident that our new policy and dedication will lead in succeeding reaching our vision of Abu Dhabi and UAE.



## Tawazun Precision Industries (TPI)



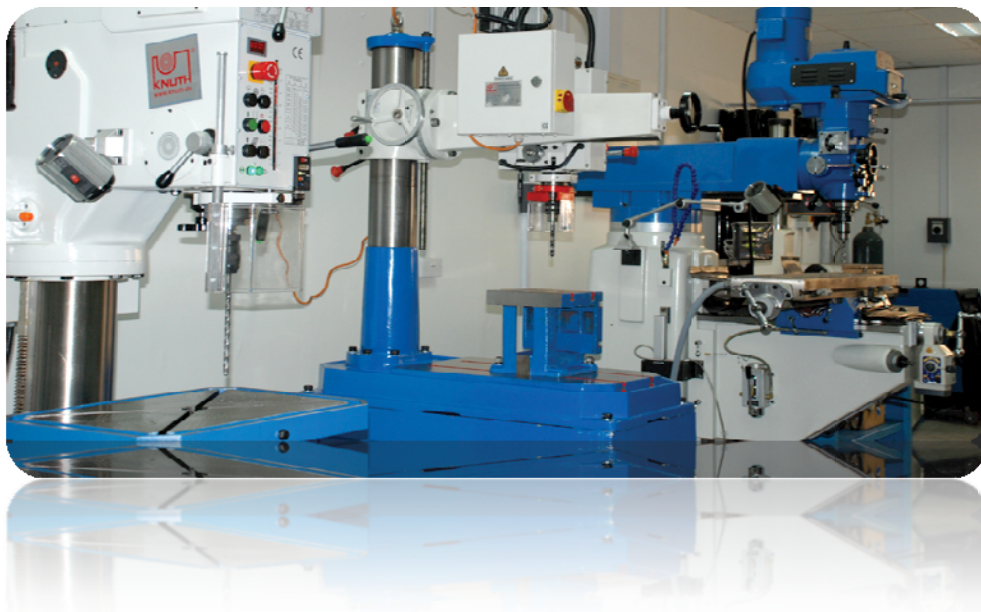
A Tawazun Subsidiary

TPI is a precision manufacturing facility delivering components to the oil and gas, aerospace and defense industries. Its production capabilities and service offers include design, machining, surface treatment, plastic injection molding, metals testing and servicing.

Tawazun Precision Industries (formerly Emirates Precision Industries) ([www.tpiuae.ae](http://www.tpiuae.ae)) is a fully owned subsidiary of Tawazun Holding, the investment arm of the Tawazun.

TPI acts as both a manufacturer and as a service centre to a number of UAE operating companies and agents as well as international organizations. Since its establishment in 2007, it has sought, through partnership with international companies and organizations, to ensure a continuous buildup of capabilities and know-how while developing products and work procedures that adhere to the highest international standards.

TPI currently employs 130 staff, 65% of whom are qualified engineers. The workforce is planned to increase to over 200 with its new involvement in the oil & gas market.



TPI's major customers include sister companies in the Tawazun group, primarily Caracal, the UAE's handgun manufacturer. In aerospace TPI recently signed 2 agreements with Airbus for the manufacture of Long Range Titanium Spars for the A330 Aircraft and metallic detail parts for Single Aisle (SA) and Long Range (LR) programs. In the oil & gas industry, TPI is providing downhole components and other components to National Oilwell Varco, the US-based oil services firm, amongst others.

## **Machining Centers**

The TPI machine shop is a high-precision, production-oriented facility. The CNC milling department consists of a number of state-of-the-art and multi-axis CNC Machining Centers, manufactured by industry leaders. The milling machines are equipped for high-speed machining and rapid material removal as well as high torque machining. Three, four, and five axis simultaneous cutting is possible.

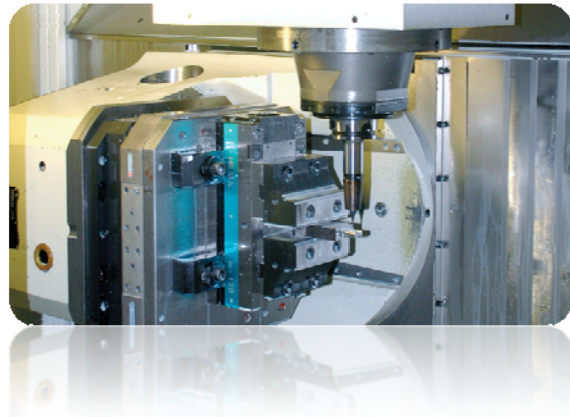
Additionally, the machining centers are equipped with very fast fully automated tool changers and high speed processors. All machines are highly flexible and all machines are equipped with a 3D touch probe system.

TPI also has the latest in turning machines equipped with twin spindles and bar feeders.

## **Surface Treatment**

TPI has a fully equipped surface treatment facility for the cleaning, hardening, and black oxidizing of components in accordance with our customers specifications. These processes include:

**Plasma Nitriding Process** – This is an environmentally friendly thermo chemical treatment that improves the quality and performance of ferrous materials. The process provides the treated materials with greater protection from wear, corrosion, and fatigue. TPI has two plasma nitriding furnaces in operation.



**Vacuum Hardening** – Low pressure vacuum hardening is a modern heat treatment technology not only for hardening with a quenching step, but also for brazing, low pressure carburizing, and sintering. The absence of air or other gases prevents heat transfer with the product through convection and removes many sources of contamination.

**Black Oxidizing** – This is a hot dipping and cleaning process that provides a uniform surface color (Black or dark blue), assisting in corrosion prevention of the treated product.

## **Coating Center**

TPI has a fully equipped Physical Vapor Deposition (PVD) coating centre, for tool fabrication and regrinding, edge rounding, Stripping, cleaning and PVD coating. The



coating can be used for all cutting tool types and can also be used for different engineering applications.

### **Plastic Injection Molding**

TPI has established a fully functional plastic injection molding department to produce all required engineered plastic components.

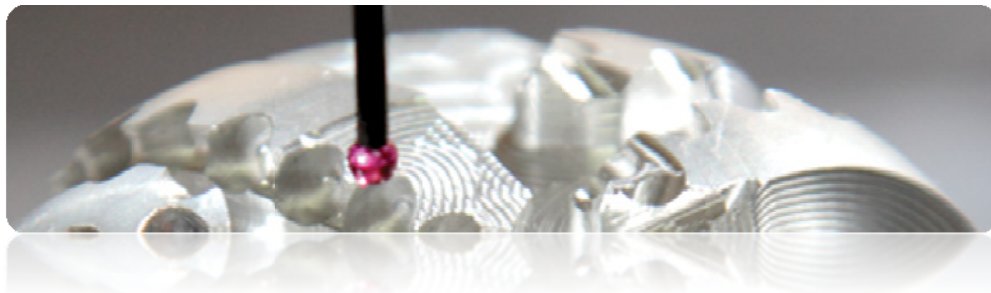
### **Quality**

TPI has received the following quality certifications:

- ISO 9001:2008
- ISO 29001:2007 Oil & Gas

TPI's production processes are fully controlled by employing the following methods:

1. Highly trained and motivated staff and employees
2. The implementation of procedures and work instructions
3. Advanced quality-control Techniques, such as:
  - a. Statistical Process Control (SPC)
  - b. Operator verification programs
  - c. Sampling and roving inspection activities



TPI also uses the latest technology in Coordinate Measuring Machines (CMM). Other CMM machines are automatically used in the production line to generate inspection reports. TPI also employs other quality devices such as optical comparator, a surface roughness measuring device, digital height gauges etc...

TPI has a metallurgical lab equipped with the following services, these include:

- Material tests
- Material Surface hardness
- Case depth hardness tests
- Microstructure analysis
- Salt Spray (Corrosion Resistance Testing)

### **Engineering**

The engineering department is responsible for the design, development, and prototyping of production processes and prototype parts in the chip-cutting field. The core service areas are:

- Process capability studies
- Precision machining
- Prototyping
- CAD/CAM programming
- Application engineering
- Manufacturing Process setup
- Production process development

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**You can visit TPI at IDEX. The number of the company's stand is 05-A10.**

**Burkan Munitions Systems L.L.C.**

Burkan Munitions Systems is a joint project of Tawazun Holding LLC, Al Jaber Trading Establishment and Rheinmetall Munitions Systems, to build the United Arab Emirate's first munitions factory to serve the needs of the Armed Forces in the UAE and the region.

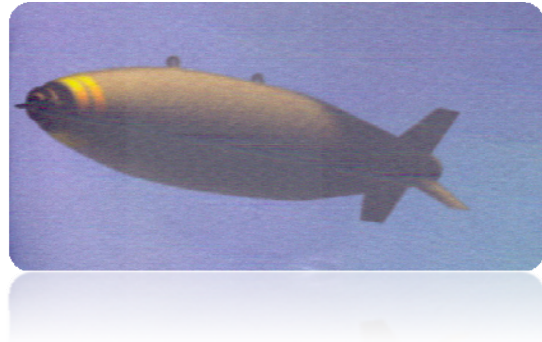


The company was founded in 2008 with a total investment in the joint venture of Dhs268m (approximately \$70m).

The state-of-the-art Al Burkan Munitions Factory is built on a dedicated area at the Zayed Military City in Abu Dhabi. The facility uses technology and proven components of world class suppliers in manufacturing, loading, testing, and assembling of various types of ordnance, to include aircraft bombs, artillery, and naval rounds and small arms ammunitions.

It also encompass an integrated demilitarization plant for environment-friendly explosive and ammunitions disposal, using the latest technology of thermal disposal. It is foreseen that the plant will also offer ammunitions refurbishment, R&D, and training services.

Burkan Munitions Systems has been able to set aside an environmentally safe area to dispose of all waste from explosives and ammunition, using the latest techniques. This puts Burkan at the forefront of companies that exercise best practices in the armament industry using the best technology that ensures reduction of waste as well as making it environmentally friendly.



The factory has started production of aircraft bombs in mid 2009 and land & navy forces ammunitions in 2010. Full capacity production is expected within three years.

According to Saeed Bin Khadim Al Mansouri, General Manager and CEO of Burkan Munitions Systems "The UAE's armed forces are a strategic partner as well as the largest customer of Burkan. However, the GCC states are the company's future market."

The development plan of Burkan includes the establishment of research laboratories and the testing and commissioning of new products to ensure quality and to match the required specifications for all types of munitions. This will be done in cooperation with specialized international companies.

*Caracal, pioneering innovation*

Caracal ([www.caracal.ae](http://www.caracal.ae)) was conceived from a 'Small Arms Project' - a bold initiative founded in Abu Dhabi, United Arab Emirates (UAE) in late 2002. Driven by strong beliefs in its concepts and benefits, the 'Caracal Project' was developed and led by a team of experts working in conjunction

with the UAE Armed Forces.

Following extensive research, the development of the Caracal pistol series and accessories was completed. The Tests were carried out by the Federal German Armed Forces Testing House WTD 91 in Meppen, Germany. This included metallurgic and composite analysis, functional fitness-for-purpose and quality evaluation, endurance firing, environmental exposure, safety and accuracy tests.

A test certificate was issued in May 2006, fully certifying the Caracal Pistol to be in compliance with the test criteria of NATO D14 standard, TA Police Standard and the federal Armed Forces Technical Purchasing requirements.



Caracal C

By the end of 2006, Caracal International LLC was incorporated and registered as a company in Abu Dhabi. With that, the foundation of a highly advanced pistol manufacturing industry was established for the first time in the GCC. Caracal was officially launched in February 2007 at the prestigious IDEX 2007 in Abu Dhabi.

In 2007, the wholly-owned subsidiary of Offset Program Bureau (OPB) - Tawazun Holding - has acquired the assets of Caracal International.



Caracal F

**Caracal's production capabilities include:**

- Machining
- Surface treatment
- Quality Control
- Assembly line

The Caracal series of advanced pistols starts with an all-new Semi-Automatic 9 x19mm pistol. Initially, the Caracal series enters the market offering pistols of two different sizes; the Caracal full size (F) and Caracal compact size (C).

Both models are available in several other popular calibres to meet all users requirements.

The latest model, CARACAL SC Semi-Automatic Pistol was launched in Abu Dhabi IDEX 2009. Its compact size and slenderness assists the user in concealing their weapon more effectively. More over, the SC grip fits perfectly in the users hand and there are two different grip magazines for individual preferences. The magazines come in either a standard flat bottom or a slightly developed magazine with finger rest for ultimate grip. The SC holds up to 13 rounds and may also adopt the Caracal F magazine, which holds up to 18 rounds with a special grip adapter that has been developed for the Caracal SC.



The Caracal assets include ownership of the German company, Merkel, a manufacturer of hunting rifles and shotguns with production lines in Germany, as well as distribution networks all over Europe and the United States, as well as the distribution of Ballistic Body Armor exclusively for the MENA region.

Caracal is strongly committed to innovation through advanced design concepts and high precision manufacturing. Several new patents registered to, and developed by Caracal, demonstrate the company's clear commitment to bringing significant benefits to the international user community.



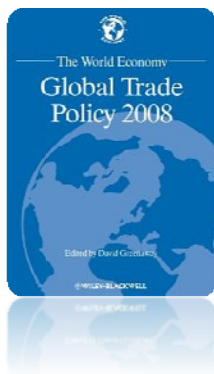
**Globalization and the United Arab Emirates: The task of Economic Diversification, by Markus van Tilburg**



During the last decade, the United Arab Emirates (UAE) established high profile cities and built modern architectural marvels into the desert sand and the Persian Gulf. Markus van Tilburg analyses the factors behind those profound changes that could be characterized as a miracle of socioeconomic development. He is focusing on the Emirates of Dubai and Abu Dhabi. Two states with varied geographic pre-conditions, history and efforts to pursue diverse economic strategies in order to escape from resource abundance. The author is trying to answer some questions about this economic boom, such as what were the driving forces and which were the decisive catalysts behind the UAE's steep economic growth? Did geographical factors contribute to this role?

Were lessons from previous oil booms successfully applied and did they contribute to actual and future developments?

**The World Economy: Global Trade Policy 2008 (World Economy Special Issues), by David Greenaway (Editor)**



The World Economy: Global Trade Policy 2008 is the fifteenth in an annual series in which leading economists provide a concise and accessible evaluation of major developments in trade and trade policy. Each annual volume examines key issues pertinent to the multinational trading system, as well as regional trade arrangements and policy developments at the national level. Each volume also provides assessments of the World Trade Organization's recent Trade Policy Reviews. The 2008 issue analyses trade policy in areas such as Japan, Indonesia, Israel, and the United Arab Emirates as well as investigating the challenge of aligning the mission, means and legitimacy of international organizations. Contributors including John Walley and Jan Aart Scholte also examine the concept of globalization – both its definition and its values.



**UAE's new offset policy proves popular with suppliers**

*Six months after its announcement in June 2010, 70 per cent of UAE defense suppliers have transferred their commitments to the UAE's new offset framework*

**Abu Dhabi, 9 February 2011** – Large numbers of defense suppliers have signaled their long-term commitment to supporting the United Arab Emirates' plans to develop an industrial manufacturing base by signing new long-term agreements according to the UAE's new offset policy guidelines.

Commenting on the response of defense contractors to changes to the UAE's policy, H.E. Saif Mohamed Al Hajeri, the CEO of the Offset Program Bureau said: "Over 70 per cent of defense contractors with offset obligations have transmitted their commitments to the new policy, among them Boeing, Raytheon, EADS, Fincantieri, Nexter, MBDA, Lockheed Martin and Rheinmetall".

In June 2010, the UAE launched an updated set of offset guidelines to support its plans for an industrial base that delivers sustainable economic and social development through industrial partnerships, capacity building, technology and knowledge transfer and creation of jobs for the UAE citizens. A two-year timetable was established to enable defense suppliers to bring over their offset commitments to the new framework.

**Approvals from defense industry**

Gwen Kopsie, Director of International Strategic Partnerships for Boeing Defense, Space & Security: "Boeing supports the UAE's new offset policy which sets out to build a strong framework for long-term co-operation with its defense contractors to build a 'home-grown' industrial base. The new policy provides flexible fulfillment criteria and facilitates the implementation of projects through active engagement by defense contractors at an early stage. We believe we can create strong and sustainable partnerships with UAE companies to deliver the objectives of the offset program."

Gérard Griseri, Chief Executive Officer of Nexter, the French arms manufacturer, said "We really see this new offset policy as an opportunity for new businesses and success for Nexter. For us a key benefit of the new offset policy is the possibility to fulfill our offset obligations through joint-venture partnerships with local companies in our core business in the defense arena. We have already built a long-term partnership with the UAE Armed

Forces. The new offset policy will help us improve this relationship and contribute to the local economy through the transfer of technology and know-how to UAE companies.”

Joost van Gemert, Head of Corporate Offset at Rheinmetall AG of Germany said: “We are very pleased to be able to work with the UAE so closely and are very positive about the new offset policy. It is much more open and very similar to the offset policies from European countries in terms of timings and milestone fulfillments. The main change for us is that we have much more flexibility in the programs that we propose. Offset credit is now given for a range of elements, not just the cash investment or the profit made. Knowledge transfer, training programs and technology transfer are now recognized as valuable instruments as well. This certainly plays to our strengths.”

Alberto Maestrini, Executive Senior Vice President Naval Vessels Business Unit of Fincantieri said: “The signature of the new offset agreement by Fincantieri with the United Arab Emirates confirms our willingness to honor our offset obligations pursuant to the two Naval Vessels Programs with UAE Navy. The recent creation of the joint venture Etihad Shipbuilding, with the aim of creating important business opportunities, both in the defense and commercial sectors, is a further testimony that our company fully supports the new offset policy which was recently implemented in the UAE”.

Guy Frémond Head of Offset & Industrial Cooperation at MBDA, the missile systems group: “MBDA has already clearly expressed its willingness to create in the UAE a new world centre of excellence in missile systems activities. The signature of a new offset agreement with the United Arab Emirates is a further testimony that MBDA fully supports the new offset policy implemented by the UAE Government”

Matar Ali Al Romaithi, Director of Industrial Development at OPB said: “The UAE offset policy has become more flexible for defense contractors and easier to implement, allowing greater involvement from an earlier stage in the planning process. The new framework aligns more closely with the UAE’s long-term economic vision to achieve growth through a knowledge-driven economy, industrial partnerships, transfer of technology, capacity building, and creation of jobs for UAE nationals. We are confident that our new policy enables our defense partners to develop strong, long term and jointly beneficial partnerships with the UAE.”

### **The new offset policy at a glance**

The new UAE offset guidelines were developed following extensive research to identify the challenges defense contractors faced in implementing their obligations under the UAE offset

program. The new policy promotes greater partnership with defense companies, through long-term planning and increased customization in programming to maximize the fulfillment of offset obligations.

Key updates to the previous offset policy focus on areas of activity, planning and timings of commitment and performance milestones.

### ***Areas of focus***

The new guidelines tighten the area of focus for programs to reflect defense contractors' expertise and attract defense-related technologies and know-how. These centre around building capabilities in two areas: the manufacturing of end-user products (such as strategic technical systems, infrastructure systems, transportation equipment and oil and gas systems) and components (such as advanced materials and electronics, precision manufacturing and technical services).

### ***Performance guidelines***

A hybrid input and output credit contribution model has been introduced to enable defense contractors who are dealing with the UAE Armed Forces to capitalize on their existing strengths while emphasizing the need to partner with the local private sector in profitable and commercially viable ventures.

The new policy introduces clear distinctions between "input contributions" and "output-generated results". Input-contributions include "industry enablers", "knowledge-empowerment" projects and equity contributions. Examples of projects include IP contributions, team start-ups, apprenticeship programs, cash contributions and investment or contribution of specialist equipment.

However at least 70% of the obligation is delivered through "output-generated results" projects. These are calculated based on two criteria: net profits and proportional salaries of UAE Nationals. In particular, higher credit multipliers are applied to profits due to export sales.

### ***Timing***

Earlier planning is a key feature of the new guidelines. An offset fulfillment plan must be developed in tandem with the procurement process with the UAE Armed Forces. This will enable earlier rollout of joint-venture projects. Flexibility has been introduced into joint-venture timelines through the introduction of a 'grace period'.

This allows defense contractors to complete the setting up of the joint venture in terms of infrastructure, construction setting up of machinery, training etc. The grace period could be up to 3 years depending on the complexity and the size of the project. This grace period rewards early planning, allowing contractors to maximize credits through input contributions and to over-achieve milestones in the early years of operations.

***Milestone fulfillment***

Annual milestones over the 7-year period of the offset obligation have been introduced to commit defense contractors to their plans and to secure their active involvement for the duration of the program.

The annual milestone target for each of the 7 years is 5, 10, 10, 15, 15, 20 and 25% of the total obligation. Penalties for non-delivery remain as before, at 8.5% of the obligation. However, this fulfills only 50% of the obligation with, the remaining 50% rolled over to a default account that will be carried to the next obligation or reduced depending on the overall performance of the contractor.

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**About Offset Program Bureau**

The Offset Program Bureau (OPB) was established in 1992 to oversee the offset program in the UAE. It is mandated to set up joint ventures, as well as to invest in commercial, high technology, defense and industrial projects. OPB acts as a conduit between international contractors and the UAE private sector aiming to develop sustainable joint ventures in the industrial manufacturing and defense sectors.

## **Northrop Grumman-built U.S. Navy X-47B Unmanned Combat Aircraft Completes Historic First Flight First-of-its-Kind, Tailless Aircraft Moves Closer to Carrier Trials in 2013**

EDWARDS AIR FORCE BASE, Calif., Feb. 4, 2011 (GLOBE NEWSWIRE) -- Today, the Northrop Grumman Corporation (NYSE: NOC)-built U.S. Navy X-47B Unmanned Combat Air System Demonstration (UCAS-D) aircraft successfully completed its historic first flight at Edwards Air Force Base (AFB), Calif.

Conducted by a U.S. Navy/Northrop Grumman test team, the flight took off at 2:09 p.m. PST and lasted 29 minutes. This event marks a critical step in the program, moving the team forward to meet the demonstration objectives of a tailless fighter-sized unmanned aircraft to safely take off from and land on the deck of a U.S. Navy aircraft carrier.

"First flight represents the compilation of numerous tests to validate the airworthiness of the aircraft, and the robustness and reliability of the software that allows it to operate as an autonomous system and eventually have the ability to take-off and land aboard an aircraft carrier," said Capt. Jaime Engdahl, the Navy's UCAS-D program manager.

Northrop Grumman is the Navy's UCAS-D prime contractor and leader of the UCAS-D industry team.

"Designing a tailless, fighter-sized unmanned aircraft from a clean sheet is no small feat," said Janis Pamiljans, vice president and UCAS-D program manager for Northrop Grumman's Aerospace Systems sector. "Commitment, collaboration and uncompromising technical excellence among the Navy, Northrop Grumman and the UCAS-D team industry partners made today's flight a reality. We are indeed honored to have given wings to the Navy's vision for exploring unmanned carrier aviation."

Taking off under hazy skies, the X-47B climbed to an altitude of 5,000 feet, flew several racetrack-type patterns, and landed safely at 2:38 p.m. PST. The flight provided test data to verify and validate system software for guidance and navigation, and the aerodynamic control of the tailless design.

As with all test programs, first flight represents the culmination, verification and certification of pre-flight system data collected and analyzed by both the Navy and Northrop Grumman. Airframe proof load tests, propulsion system accelerated mission tests, software maturity and reliability simulations, full system taxi tests, and numerous other system test activities were all completed and certified prior to first flight.

The aircraft will remain at Edwards AFB for flight envelope expansion before transitioning to Naval Air Station Patuxent River, Md., later this year. There, the system will undergo additional tests to validate its readiness to begin testing in the maritime and carrier environment. The UCAS-D program is preparing the X-47B for carrier trials in 2013.

The Navy awarded the UCAS-D prime contract to Northrop Grumman in August 2007. The six-year contract calls for the development of two X-47B fighter-sized aircraft. The program will demonstrate the first-ever carrier launches and recoveries by an autonomous, unmanned aircraft with a low-observable-relevant planform. Autonomous aerial refueling will also be performed after carrier integration and at-sea trials.

Northrop Grumman's industry team includes GKN Aerospace, Lockheed Martin, Pratt & Whitney, Eaton, GE, Hamilton Sundstrand, Dell, Honeywell, Goodrich, Moog, Wind River, Parker Aerospace and Rockwell Collins.

Northrop Grumman Corporation is a leading global security company whose 120,000 employees provide innovative systems, products, and solutions in aerospace, electronics, information systems, shipbuilding and technical services to government and commercial customers worldwide. Please visit [www.northropgrumman.com](http://www.northropgrumman.com) for more information.

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View a Video with the X-47B Unmanned Combat Aircraft

**Source:** Epicos, Northrop Grumman Corporation

### **Saab establishing Research and Development Centre in India**

Today, during Aero India in Bangalore, defence and security company Saab announced the establishment of a Research and Development Centre in India.

With the establishment of this Research & Development Centre Saab will create a sustainable and long term relationship to be able to co-develop critical technologies with India. This centre is a part of Saabs future offer for the world market.

“The aim of the research and development centre is to transfer to India continuously already identified concrete programs and technologies. The Centre will form a bridge between India and Sweden, and together with an initial base of 100-300 skilled Indian engineers form the backbone of the Centre. The Centre will stimulate innovation all around India,” says Saab President & CEO Hakan Bushke.

The areas of focus would cover aerospace, defence and urban innovation including civil security. The Centre will be established in close co-operation with Indian partners and universities and will create new innovations, new technology and exporting opportunities for Indian governmental, academic and industry entities

For further information, please contact: Saab Press Centre, +46 (0)734 180 018  
[www.saabgroup.com](http://www.saabgroup.com)



Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

**Source:** Epicos, Saab

#### Russia's '10 car imports up 32% to 686,600

MOSCOW, February 8 (RIA Novosti) - Russia's 2010 imports of cars jumped 32% to 686,600 worth \$11.4 billion compared to 2009, the Federal Customs Service said on Tuesday. Imports from non-CIS states amounted to 582,300 cars worth \$10.7 billion, while imports from CIS countries totaled 104,300 cars worth \$640.5 million, the service said in a statement. Imports of trucks grew over 100% to 53,700 vehicles worth \$1.2 billion. The Federal State Statistics Service said Russia's 2010 output of cars doubled to 1.2 million vehicles, while production of trucks rose 64.8% to 153,000 vehicles.

**Source:** Ria Novosti

#### Medvedev signs police reform bill into law

MOSCOW, February 7 (RIA Novosti) - Russian President Dmitry Medvedev has signed into law a bill significantly cutting the number of police officers in Russia and introducing reforms intended to improve the image of the country's law enforcement system. The law, which changes the name of Russian law enforcers from the Russian "militsiya" to "politsiya" and introduces a three-stage selection tests for police candidates, will come into force from March 1, Medvedev said during a meeting with Interior Ministry officials on Monday. The law stipulates that the number of Russian police officers will be lowered by 20 percent by January 1, 2012. The bill, which has been open for public debate for several months, was approved by the upper house of the Russian parliament on February 2. The lower house, the State Duma, passed it on January 28. "This is a long-awaited event, and I congratulate all those present on it," Medvedev said during Monday's meeting, adding that the new law was just the first step in his large-scale reformation plan intended to strengthen partnership between law enforcers and society. He said he was planning to sign "an entire range or decrees in the near future" to continue Interior Ministry reforms. The state of Russia's police has raised concern after a number of high-profile incidents, including the random shooting of several people in a supermarket by an off-duty police officer in April 2009. In response to growing criticism, Medvedev ordered a large-scale reform of the police department in December 2009, including cuts in officer numbers and the increase of salaries.

**Source:** Ria Novosti